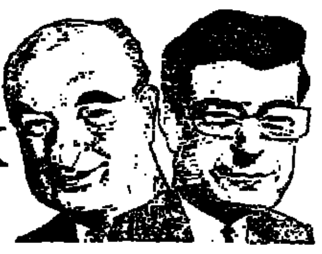
FINANCIAL TIMES

Start the week with...



Bavarian bankers

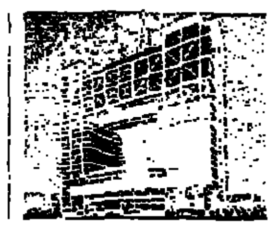
Who will lead the latest merger?

Page 12

Mexican tobacco

Foreign groups light up the market

Page 19



Chinese equities

Asia's largest exchange opens in Shanghai

Page 3

World Business Newspaper http://www.FT.com MONDAY JULY 28 1997

Asean to take lead in tackling Cambodia crisis

The European Union and US have dropped their objections to the Association of South-East Asian Nations' policy of "constructive engagement" with Burma and handed Asean the lead in diplomatic efforts to end the crisis in Cambodia. It will test Asean's regional influence as its expands and tries to maintain its policy of non-interference in the internal affairs of member states. Page 16

Thousands back Eta terrorists: Thousands of Basques have marched through San Sebastian in support of the Eta terrorist group. The march ended with a rally called by Eta's political wing Herri Batasuna which called for Basque independence from Spain and demanded the transfer of jailed terrorists to prisons in the Basque Country. Page 2

Berger triumphs in German Grand Prix

Austrian veteran Gerhard Berger, left, claimed victory after a three-race absence in the German Grand Prix at Hockenheim. The 37-year-old Benetton driver – who had missed two months after a sinus operation and the death of his father – took the 10th win of his career, coming home 17.5 seconds ahead of Ferrari's German championship leader Michael Schumacher.

Euro banks to agree self-regulation: Plans by Europe's leading banks to develop an American-style secondary market in bank loans will receive a boost in the next few weeks when the banks draw up their first agreement on self-regulation. Page 16

US finance chiefs double pay: Chief financial officers in the US have benefited from the stock market boom even more than chief executives, with average remuneration packages almost doubling last year to $2.99m. Page 4

Finland deficit blow: Finland has been forced to revise its 1996 budget deficit upwards from 2.6 per cent to 3.1 per cent of GDP after a statistical error. The error is an embarrassment both for Helsinki and the European Commission. Page 2

Booming Boss: Hugo Boss, the German men's clothing company owned by Marzotto of Italy, has turned in a first-half profits performance well ahead of forecasts. Net income rose 25 per cent to DM38.5m ($21.3m) and turnover was 17 per cent up at DM530m. Page 17

GM strike deal: General Motors seems to to have averted severe disruption in its North American assembly plants after United Auto Workers union members in Michigan voted on a settlement to a local strike. Page 16

Bond defaults plummet: The default rate on global corporate bond issues is at its lowest level for 15 years, said credit rating agency Moody's Investors Service. Page 17

Yuan is safe, says China: China is in a strong position to resist speculation against the yuan, said government officials. Page 3

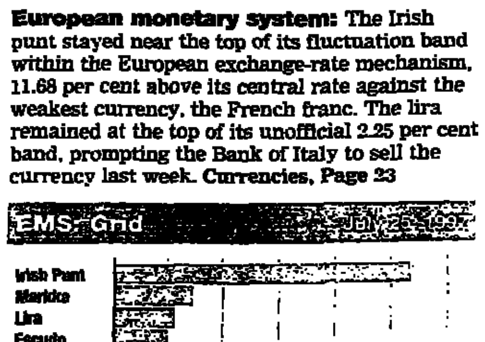
UN weapons team in Iraq: UN germ warfare experts have begun inspecting Iraqi sites to check whether Baghdad still possesses biological weapons.

Jerusalem developer remains defiant: American millionaire Irving Moskowitz, who wants to build a Jewish settlement in Arab East Jerusalem, has vowed to go ahead with his plans. Page 4

Galileo beats expectations: Galileo International, the airline reservation system, said it has been valued at $2.45bn in an initial public offering in New York – well above expectations. The US-based company said the $784m offering was priced at $24.50 a share. Page 17

European monetary system: The Irish punt stayed near the top of its fluctuation band within the European exchange-rate mechanism, 11.68 per cent above its central rate against the weakest currency, the French franc. The lira remained at the top of its unofficial 2.25 per cent band, prompting the Bank of Italy to sell the currency last week. Currencies, Page 23

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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France to backdate tax rise

Companies face levy on 1996 profits

By David Owen in Paris

France's Socialist-led government is likely to force some French companies and the French arms of some multinationals to pay higher corporation taxes on profits made last year in a move which will anger the business community.

The finance ministry's decision to apply the new tax rate of 41.6 per cent for financial years ending on January 1 1997 and onwards is expected to provoke bad feeling in a business community already angry at being asked to bear most of the burden of last week's belt-tightening exercise.

Companies which do not have a December 31 financial year-end are expected to be forced to pay the new rate, increased from 36.6 per cent, on profits earned during the 1996 calendar year. Multinational companies with French operations are also likely to be hit by the decision.

Although the financial years of most large French companies coincide with the calendar year, there are a number of exceptions including Air France, the state-controlled airline, Moulinex, the household appliance group, and Salomon, the sports-equipment manufacturer.

Each of these groups has already reported its 1996-97 results, with Air France returning to the black for the first time since 1989 and Moulinex achieving a similar feat after five years of losses.

The finance ministry's decision appears to leave open the possibility that some of these 1996-97 figures may have to be adjusted to take account of the higher tax rate.

Some tax experts expressed concern over the way companies would react to the government's plans.

Mr Dominic Pickard, corporate tax adviser at HSD Ernst & Young, the accountants, in Paris said tax directors of multinational companies had "an aversion to surprises".

He added: "The 3.3 per cent tax hike in 1995 may have been accepted as a blip. I think this double whammy of another five points on the corporate income tax rates, plus, for the unfortunate, backdating of the 41.6 per cent rate to 1996, will cause considerably greater consternation."

Mr Dominique Strauss-Kahn, finance and industry minister, announced the new rate last week as part of a FFr32bn ($5.26bn) package of deficit reduction measures aimed at keeping France on target to join the planned single European currency.

About FFr16bn – half of the government's revenue target – is expected to be raised by increasing the rate of corporation tax.

Mr Strauss-Kahn emphasised that the new rate would apply in 1997 and 1998, and would be reduced progressively after that. He said the tax rise would not apply to companies with an annual turnover of less than FFr50m.

Though last week's measures may have proved unpopular with the business community, there was evidence over the weekend that they were much better received by the French public. A poll commissioned by the finance ministry indicated that two-thirds of respondents approved of them.

The measures also received the seal of approval of Mr Michel Rocard, the former Socialist prime minister, who yesterday told Radio J that he "deeply" approved of them and that they formed "an intelligent structure".

His comments came as Mr Christian Sautter, budget minister, hinted at possible future measures to rein in expenditure, saying state spending would have to rise less quickly than GDP if the government was to hit its target of restricting the public deficit to 3 per cent of GDP in 1998.

Speaking on Radio Classique, Mr Sautter also said that next year would see no increase in the number of civil servants.

China Southern raises $631m

By Louise Lucas in Hong Kong

China Southern, one of the country's three biggest airlines, has raised US$631m in the mainland's biggest public offer to date.

The shares, to be listed in Hong Kong and New York later this week, were priced at the top end of the HK$3.75 to HK$4.75 range after strong international demand.

The H-shares – Hong Kong-listed stock of mainland state-owned enterprises – have been priced at HK$4.75, while the American Depositary Shares, each of which represents 50 H-shares, have been pitched at US$30.66.

H-shares have been enjoying a rally since earlier this month, after restructurings by two companies and anticipation of further shake-ups. Restructurings at the parent companies can benefit the listed vehicles by removing unprofitable operations and re-injecting them into the H-share company when they start making money.

Analysts expect a strong debut for China Southern when trading in the H-shares starts on Thursday. The New York-listed ADSs commence trading on Wednesday.

The airline received an early vote of approval from several big Hong Kong companies, including two controlled by Mr Li Ka-shing, and developers Sun Hung Kai Properties and New World Development, which have all taken stakes in the company.

An affiliate of Goldman Sachs, which is sponsoring the issue, and Tai Fook Group, one of the main underwriters, have also bought shares in the airline.

In total, China Southern issued 1.03bn H-shares. Unusually for a mainland issue, the larger international tranche proved more popular than the shares sold in Hong Kong.

According to bankers close to the deal, the overseas portion was 13 times subscribed, while the Hong Kong offering of 71m shares was just two-and-a-half times subscribed.

Continued on Page 16

Troops fight to contain river as worsening disaster kills 100 people

Some of the 9,000 servicemen constructing sandbag barriers against the rain-swollen Oder in Germany yesterday while local inhabitants head for safety Reuters

Thousands flee Oder floods

By Andrew Fisher in Frankfurt

Thousands more Germans and Poles were evacuated yesterday as rising water threatened to engulf low-lying towns, villages and farmland on both sides of the River Oder.

Mr Manfred Stolpe, prime minister of the German state of Brandenburg, said the floods had caused damage exceeding DM100m ($55.50m). The floods are a blow to hopes of recovery in eastern Germany, which is suffering from high unemployment and structural economic problems. The government has promised quick financial relief and low-cost loans for households and businesses hit by floods.

Helped by 9,000 soldiers, sailors and marines in their biggest rescue operation since the Hamburg floods of 1962, workers struggled yesterday to reinforce sodden dykes holding back the fast rising waters of the Oder, which swelled to record levels.

German officials fear the floods, which have killed more than 100 people in Poland and the Czech Republic, could ruin the Oderbruch region, a large area of fertile farmland producing sunflowers, maize, cauliflower, cucumbers and other vegetables, which was reclaimed from the marshes 250 years ago.

Although the dykes protecting the Oderbruch were successfully shored up at the weekend, preparations continued yesterday for the evacuation of its 19,000 inhabitants – almost 2,500 have already left. Farm animals were also being led to safety.

Mr Manfred Kanther, Germany's interior minister, sought to reassure people along the Oder that their homes would not be plundered during evacuation.

The German government said it would use Tornado aircraft to take detailed aerial pictures to help spot weaknesses in dykes.

Mr Kanther also met his opposite number from Poland, Mr Lleszek Miller, to discuss the devastation. Thousands of people were evacuated from the Polish city of Slubice yesterday as the Oder, or the Odra in Poland, kept rising.

Polish officials said Slubice could suffer heavy flooding if the weakening dykes along the river burst. As in Germany, frantic efforts were being made to strengthen the dykes with sandbags and wood.

Many people had to rush from their homes when a large section of dyke near Frankfurt-an-der-Oder burst, sending water through an adjoining lake back into the river, raising its level further.

Berlin's back garden, Page 2
Economic notebook, Page 17
Sea of troubles, Page 15

Merrill Lynch wins legal battle with Greek port

By John Gapper, Banking Editor

Merrill Lynch, the US investment bank, has won the first round of an unusual legal tussle with the Greek port of Piraeus over whether the city's authorities have to repay a $30m loan they used to build car parks.

The investment bank has won an English high court case in which the Greek city argued it was in a similar position to UK local authorities in the late 1980s, which entered swap agreements with banks without proper authority.

Although the UK authorities, notably Hammersmith and Fulham in west London, won their argument that they had been acting *ultra vires* by agreeing swaps, Piraeus, which viewed the deal as a landmark in its struggle to tap alternative sources of public finance, failed in its plea that its own swap deal had been illegal.

The case shows the legal risks run by investment banks that have expanded operations in southern European countries. Merrill won its case after defeating an attempt by Piraeus to have it heard in Greece.

Piraeus, Greece's largest commercial port, has appealed against the judgment that it had to repay the loan, and the $6m cost of unwinding an interest rate swap after it defaulted two years ago. Merrill said it was "confident in the court's judgment".

The legal tussle arose after authorities of the city defaulted on a $30m loan agreed with a syndicate of banks led by Bank of Tokyo-Mitsubishi Bank.

The city's authorities wanted to build the car parks to relieve chronic traffic congestion around the port, the main gateway to the Greek islands, which was leading to businesses relocating away from the city centre.

The loan had been combined with a 20-year interest rate swap which meant Piraeus had to make fixed rate repayments in Greek drachma. When Piraeus defaulted Merrill unwound the swap, which added $5m to the deal's cost.

The legal argument turned on whether the swap had been an integral part of the loan agreement. It was admitted on both sides that Piraeus would not have been permitted to reach any free-standing deal to swap payments.

A number of UK and international banks lost out five years ago after UK local authorities challenged the legality of £500m ($835m) of swap deals under which the authorities had swapped fixed rate obligations for floating ones.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Budget deficit error deals blow to Finns

By Lionel Barber in Brussels

Finland has had to revise upwards its 1996 budget deficit from 2.6 per cent to 3.1 per cent of gross domestic product because of an unexplained statistical error.

The revision is an embarrassment both for the Helsinki government and for the European Commission, which earlier this year recommended that Finland should come off a blacklist of countries running deficits above the Maastricht target of 3 per cent of gross domestic product.

Finland is still well on track to be among the founder members of economic and monetary union in 1999, but the slip-up highlights the difficulties European Union leaders face in obtaining reliable data when they decide next spring which countries have met the Emu entry criteria.

Mr Sauli Niinisto, Finnish finance minister, said in an interview with the Financial Times that the government was still seeking a satisfactory explanation for the error. But he added: "At least we are being honest about the situation."

EU leaders will select Emu members next May on the basis of recommendations from the European Commission and the Frankfurt-based European Monetary Institute (Emi), forerunner of the European central bank. The Emu criteria cover inflation and interest rates, exchange rate stability, public deficits, and government debt.

The Emi and Commission recommendations next February will be based on the latest figures from the 15 member states, as well as on their own assessment of prospects for 1998 and whether the "convergence" toward the criteria is sustainable.

Germany has successfully pressed for EU leaders to judge deficits according to the actual outturn for 1997 rather than forecasts which could be subject to manipulation. It has also proclaimed its determination to achieve a pinpoint landing on 3.0 per cent for 1997, in contrast to France. In the Finnish case, however, the statistical mistake only came to light last month. The margin of error – nearly half a per cent of Finnish GDP – stunned officials in Brussels and Helsinki and could be subject to still further revision, upwards or downwards, according to Mr Niinisto.

He stressed that the government's official statistical agency operated independently from the government. He offered no explanation for the size of the error other than saying that officials appeared to have overlooked the liabilities incurred by a public agency dealing with housing loans amounting to 0.1 per cent of GDP.

Finland is deemed a model for those countries striving to meet the Emu targets. A series of tough budgets has steadily shrunk the general government deficit from 8 per cent of GDP in 1993 to within a whisker of the Maastricht target. "We will be well below 3.0 per cent in 1997," said Mr Niinisto.

Commission officials said last week that they did not expect finance ministers to reverse their earlier decision to remove Finland from the deficit blacklist for 1996 to join the Netherlands, Ireland, Luxembourg and Denmark.

"Even with the revision, Finland is still near enough to 3 per cent in 1996 to show a clear trend downwards," said one official.

Business balks at dumping duties

By Neil Buckley in Brussels

The European Union's anti-dumping policy has again come under fire from businesses it is supposed to protect, after member states voted to impose 38 per cent duties on imported Chinese leather handbags.

The decision late last week came a fortnight after the European Commission reopened an investigation into alleged dumping of unbleached cotton from several Asian countries, including China and India, only months after ministers voted not to impose duties.

The cotton probe was reopened after EuroCoton, the EU producers' lobby issued a new complaint about dumping and after political pressure from France. But the move was attacked by EU cotton processors, clothes manufacturers and retailers, who say duties would destroy more jobs in those sectors than they save in cotton production.

Friday's decision to impose definitive anti-dumping duties on leather handbags has provoked similar criticism from EuroCommerce, which represents EU retailers and wholesalers, and has been opposed consistently by groups such as the British Luggage and Leathergoods Association.

They argue that the duties will damage manufacturers, importers, importer/manufacturers and retailers, as well as hitting consumers.

EuroCommerce adds that Chinese handbags have only a small share of the EU market and have not prevented Union producers raising production and exports. They also serve the low-quality end of the market, and do not pose a threat to the up-market, high-fashion European industry.

The UK's largest handbag manufacturer, Littlestone & Goodwin, last month announced it was closing its manufacturing base with the loss of 54 jobs, because of the pending duties. The company, which imports as well as manufactures, said duties would hit the most profitable part of its business – importing – forcing it to take action on the least profitable, manufacturing.

Opponents of the duties argue that Cedim, the European Committee for the Leathergoods industry, which made the original complaint to Brussels about dumping, represents only a minority of handbag makers. But Cedim claims it speaks for the industry and that its members are damaged by below-cost Chinese imports.

The case highlights the difficulties faced by Brussels in assessing the potential impact anti-dumping duties will have on the broadest range of EU interests – something which its own guidelines now say it should do.

The Commission imposed provisional, or temporary, duties of 38 per cent on Chinese handbags in February after Cedim's complaint. EU states must either confirm such duties after six months, and render them definitive, or vote to remove them.

Only 10 out of 15 member states' representatives voted for the duties on Friday, accepting a compromise that the provisional duties in force since February would not be collected. There would also be a review of individual treatment granted to certain importers who could prove that Chinese companies they bought from were independent of the Chinese state.

Firebomb attacks follow Eta rally

By Tom Burns in Madrid and Reuter

Some 30 hooded attackers firebombed barricades and clashed with police in the Basque city of San Sebastian yesterday, hours after more than 20,000 people held a peaceful rally supporting Eta guerrillas.

Uniformed Basque police, who had kept a low profile during the march earlier in the day, were deployed on to the streets and fired rubber bullets in the air to ward off the attackers, witnesses said.

The clashes came shortly after the rally yesterday in support of the Eta terrorist group which had underlined the complex task facing Spanish authorities as they seek to end Basque violence by isolating radical nationalists who back the gunmen.

The rally in San Sebastion's city centre was organised by Herri Batasuna, Eta's political wing. The marchers called for Basque independence, cheered Eta and demanded the transfer of jailed terrorists to prisons in the Basque Country.

The rally had been banned by the region's moderate nationalist government a week earlier and was allowed to go ahead yesterday to test the strength of Eta's support. The murder two weeks ago of a town councillor kidnapped by the terrorists had sparked off big demonstrations and prompted moderate political parties to close ranks against Herri Batasuna.

Herri Batasuna's violence-prone youth wing, known as Jarrai, had remained off the streets in the wake of the anti-Eta demonstrations but it returned to the fray ahead of the San Sebastian march. There were reports of vandalism in the area on Friday and Saturday and the local headquarters of the mainstream Basque Nationalist party was firebombed in the town of Elorrio.

Mr Floren Aoiz, a Herri Batasuna member of the Basque parliament, told the rally attempts to isolate radical nationalism were condemned to failure and called on the Madrid government to make a "gesture" to ease peace talks with Eta.

The Basque and the Madrid governments say there can be no dialogue with the terrorists until they maintain a prolonged ceasefire and they reject on security grounds relocation of some 500 imprisoned Eta members to jails in or near the Basque Country.

Mr Julen Madariaga, who helped found Eta 30 years ago, and Mr Txema Monetro, who was a Herri Batasuna Euro MP in the 1980s, both called at the weekend on the radical party to sever its links with the gunmen.

City's source of fresh produce risks disappearing beneath the rising waters

Floods threaten Berlin's back garden

They call it Berlin's vegetable garden. A fertile area of more than 600 sq km which was reclaimed from bog and marshland in the mid-18th century, the Oderbruch is home to some 20,000 people, 24,000 cattle, more than 10,000 pigs, nearly 4,000 sheep and 400,000 ducks, hens and geese. Storks and other wild birds and animals also live there.

Over the weekend, the region's inhabitants, soldiers and relief helpers worked frenziedly round the clock to prevent flood waters breaking through the threatened dykes. They succeeded, even though the danger remains acute as the water level rises inexorably.

The crisis team at Bad Freienwalde, a small town at the upper edge of the Oderbruch which is north of Frankfurt an der Oder, expects the water to keep rising towards seven metres and above. Yesterday, it reached nearly 6.8m.

If the fields and farms were inundated, this would be disastrous not just for the animals and their owners, but also for the fields of sunflowers, maize, cauliflower, cucumbers, peas and other vegetables destined for the shops of Berlin, Dresden and elsewhere.

Tobacco, introduced by Huguenots more than 200 years ago, also used to be grown there; workers at Communist farming co-operatives supplemented their low wages with the crop. Today, as they struggle against high unemployment seven years after unification, local people view the floods as a cruel extra burden.

Even if the Oderbruch is saved, further evacuation would mean there would not be enough people to harvest the crops.

Already, more than 2,000 people have left the Oderbruch – which flooded before in the winter of 1947, killing at least 15 and swamping 56 villages – out of some 4,500 living in critical areas.

Another 4,500 are in villages regarded as being out of danger as these lie slightly higher. The remainder are preparing to leave. Farmers have also been collecting their animals ready for evacuation. This will be done gradually to avoid clogging the roads.

The agriculture ministry in Bonn said it was too early to give an estimate of the damage, since it was not known how the floods would develop. Some crops had been ruined through flooding south of Oderbruch, which lies next to the River Oder, forming part of the border with Poland.

Mr Manfred Stolpe, prime minister of Brandenburg, said "the millennium flood" would cause damage of well over DM100m ($55m) in the east German state. Unofficial estimates range above DM1bn. Costs could not be met out of the state's own finances and would require a special budget.

The federal government has already announced that DM20m will be available for immediate emergency assistance, with the Kreditanstalt für Wiederaufbau, the publicly owned development bank, ready to provide low-interest loans totalling up to DM200m for repairs and rebuilding.

Mr Theo Waigel, the finance minister, said those suffering financial losses would be able to delay tax payments. If the total damage were worse than expected, the government would have to think again about how much assistance was needed.

Brandenburg state officials said the flooded area was not heavily industrialised – it was left relatively unscathed by Communist planners – so that damage would be mainly confined to farming, homes and small companies. Steel, paper and other manufacturing facilities in Eisenhüttenstadt, Schwedt and Frankfurt an der Oder were not regarded as being in danger.

Until the floods recede, local anxieties will thus be concentrated on the Oderbruch.

"Things look very, very black," said Mr Werner Müller, a senior official in Brandenburg's interior ministry, yesterday. His fear was that the dykes would not continue to hold and that nature would reverse two centuries of human effort.

Andrew Fisher

Georgia talks lower risk of new fighting

By Frances Williams in Geneva

Three days of United Nations-sponsored discussions between representatives of Georgia and the breakaway province of Abkhazia ended at the weekend with agreement on little more than to go on talking.

Mr Liviu Bota, the UN's special representative for Georgia, said that the meeting had nevertheless achieved its primary purpose which was to reduce the threat of renewed fighting when the present mandate of Russian peacekeeping troops expired later this week.

The two sides have reaffirmed their commitment not to use force against each other, and Mr Bota said he was hopeful that the Russian peacekeepers would maintain their activities while a new mandate was agreed.

Russia attended last week's meeting alongside representatives of the Organisation for Security and Co-operation in Europe and the so-called "Friends of Georgia" group – US, Russia, France, Britain and Germany – which aims to assist the UN in resolving the conflict.

The 1,500-strong Russian contingent has policed a buffer zone between Abkhazia and Georgia since 1994, backing a UN team of 136 military observers monitoring the fragile peace. Abkhazia's rebellion in 1992-93 cost 10,000 lives and caused 300,000 people to flee their homes.

Most have been unable to return to the region because of violence and intimidation.

Georgia said before last week's meeting that the peacekeeping force had to leave after July 31 unless its mandate was extended to a larger area of Abkhazia that would enable more refugees to return. Moscow refused, citing Abkhaz objections.

Mr Eduard Shevardnadze, Georgia's president, recently visited Washington and UN headquarters in New York to press for the deployment of an international force to replace the Russians, but appears to have made little headway.

The Geneva talks, attended by Mr Irakli Menagarishvili, Georgian foreign minister, and Mr Sergei Shamba, his Abkhaz counterpart, were the first under UN auspices for more than two years.

Previous UN talks stalled over the refusal of the Abkhaz authorities to accept federation with Georgia, in spite of being offered a wide measure of autonomy. However, UN and western officials believe both sides now have an interest in a deal.

Georgia's nascent economic recovery, as well as plans to build a lucrative oil pipeline across its territory, could be jeopardised by renewed violence. Once prosperous Abkhazia, meanwhile, is in a desperate economic situation and has failed to garner any international support for its independence cause.

Azerbaijan looks to US, Page 4

Fire vehicles silhouetted on a burnt-out ridge above Marseilles yesterday. As northern Europe struggles with floods, the French region's worst blazes in five years have charred more than 3,500ha of forest and scrubland since Friday. Reuter

Tough conditions drafted for BA link with American Airlines

Brussels sets airline hurdle high

By Emma Tucker in Brussels and Stefan Wagstyl in London

The European Commission has drafted a tough list of conditions which British Airways and American Airlines must meet if they are to win clearance for their planned alliance.

As well as demanding that they cede 350 take-off and landing slots at London's Heathrow airport, it also wants a reduction in the frequency of their flights on certain transatlantic routes.

Details of the preliminary position have been sent to the UK Department of Trade and Industry and BA at the start of what is likely to be a long and tortuous negotiation between the two airlines, the Commission and the British competition authorities.

An official said he doubted whether Mr Karel Van Miert, the competition commissioner, could present his final position to the full Commission before October. Mr Robert Ayling, BA's chief executive, has threatened to pull out of the deal if approval is not given by November.

His worry about the proposed alliance is the dominance it would give the two airlines on certain transatlantic routes. "We don't care if BA and AA increase the size of the planes they use on those routes so that they are carrying the same number of people as before," said an official. "Our real concern is the number of flight frequencies."

The Commission has demanded that BA and AA halve the frequency of flights between Heathrow, Chicago, Miami, Boston and Philadelphia.

It also wants the flights from Heathrow and Manchester to New York and Los Angeles cut by a quarter. The number to Baltimore, Seattle and Charlotte must be frozen for the next five years, and the two companies must operate independently of one another on the London-Dallas route.

The demands have raised eyebrows in other parts of the Commission – notably the transport directorate headed by Mr Neil Kinnock. But yesterday an official said the list represented a "maximalist" position. He pointed out that BA and AA would only have to cede slots and frequencies when a competitor demanded it.

"We don't want to penalise the consumer," he said.

Business Travel, Page 10

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Swiss 'big three' put up $15m to head off lawsuit

US judge rules this week whether to hear class action by Holocaust survivors with potential to bankrupt Switzerland's largest banks, writes **William Hall**

This week the bosses of Switzerland's "big three" banks should learn whether one of the most unusual joint investments in the history of Swiss banking has paid off. On Thursday, Judge Edward Korman, a US federal judge in New York, will decide whether to hear a multi-billion dollar class action against them by survivors of the Holocaust.

The three Swiss banks – Credit Suisse, Swiss Bank Corporation and Union Bank of Switzerland – are believed to be spending an estimated SFr23m ($15m) to head off a lawsuit which could theoretically bankrupt them. And even if they survive financially, a high-profile court case in the US could do untold harm to their image and reputation at a time when their future livelihood depends on the expansion of their international business.

Last week, they took the unprecedented step of publishing a list of names of foreign owners of dormant Swiss bank accounts in newspapers in 28 countries and also on the internet (http://www.dormantaccounts.ch). This will be followed by the publication in October of more than 20,000 names of dormant Swiss bank accounts dating back to the second world war.

Last week's list showed that the Swiss banks do not have much to be proud about. Not only was the sum of money found more than 50 per cent bigger than the banks' own figure of less than 18 months ago, and more than six times the amount first disclosed in 1962, but the list included accounts apparently belonging to some well known Nazi criminals and the late mother of the current US ambassador to Switzerland.

Nevertheless, the publication of the list of names is an essential element in the Swiss banks' efforts to convince the US judge that they are taking steps to address the complaints raised by the US class actions. They have hired Mr Paul Volcker, the former chairman of the US Federal Reserve, to oversee the most wide-ranging investigation of any country's banking system in an effort to find out how much money is still hidden.

They have also agreed to abandon their own efforts to settle the claims of Holocaust survivors and hand the matter over to an international tribunal which will be supervised by Mr Volcker. The aim is to settle all claims within the next 12 months.

The final element in the banks' campaign to get the US class action dropped is the special fund for needy victims of the Holocaust which was set up with an initial contribution of SFr100m from the Swiss banks. It made its first payout three weeks ago.

The banks are gambling that these initiatives will be enough to persuade the judge to refuse to hear the class actions. They argue that the law suits are "wastefully duplicative of co-operative efforts under way to resolve Holocaust victims' claims". Mr Volcker appears to have thrown his weight behind the banks' case. In a letter to the US court, which was reported in Saturday's New York Times, Mr Volcker said that the class actions could have a "strongly adverse impact" on his inquiries "potentially to the point of ineffectiveness".

However, the Swiss banks face a tough opponent in Mr Michael Hausfeld, the US lawyer leading the class action. Mr Hausfeld argues that there is far more at stake than the size of the dormant accounts still left in the Swiss banks. For Mr Hausfeld and others it is a question of how much the Swiss banks profited from their war-time dealings with the Nazis. On his calculations, some 85 per cent of the $12bn wealth of Europe's Jews on the eve of the war was laundered through Swiss banks.

Mr Volcker's investigation into dormant Swiss bank accounts is just "one small part of the offences that the Swiss banks are charged with", says Mr Hausfeld. He is much more interested in the question of looted assets in Swiss banks which is largely outside the remit of the Volcker investigation.

If the US court agrees to hear the case, then he believes that it could come to trial within a year.

If that happens, the SFr23m that the Swiss banks are believed to have paid out to underwrite their current campaign will look like small change.

China 'in strong position' on yuan

By Tony Walker in Beijing

China is in a strong position to resist speculation against its currency, unlike other Asian economies which have been hit by slower growth, declining exports and persistent current account deficits, according to Chinese officials.

The official China Daily Business Weekly, quoting officials of the State Administration of Exchange Control, said China could build on its foreign exchange reserves and inflow of investment capital to "hedge against the kind of currency upheaval that hit south-east Asia recently".

The paper noted "large amounts" of foreign capital had flowed into China, but most was long-term direct investment and could not be withdrawn suddenly.

China hosted a meeting in Shanghai last week of Asian central bankers, who vowed to deepen co-ordination to protect regional currencies from speculation.

A representative in Beijing of an international lending institution said China was in a "good position" to avoid fallout from the currency instability in the Asian region. The fact China had not moved to full capital account convertibility made it almost impossible for speculators to attack the currency – the yuan, or renminbi – adding: "This is not a market for speculators."

Chinese officials were quoted by China Daily as saying the composition of the country's foreign debt acted as a further check against speculative pressures: most of the debt was medium and long-term.

China's foreign exchange reserves stand at about $120bn and are expected to exceed $135bn by the end of the year. In the first six months China registered a trade surplus of $17.7bn compared with about $12bn for the whole of 1996.

China Daily said "strict controls" over inflow and outflow of capital was a further check against speculation, saying it was impossible for a large amount of funds to flow out of China to trigger a financial crisis and currency devaluation.

■ Dr Mahathir Mohamad, Malaysia's prime minister, suggested yesterday that destabilising a country's currency through speculation should be regarded as a crime, writes James Kynge in Kuala Lumpur.

His comments came after he blamed Mr George Soros, the US financier, for the recent depreciation of south-east Asian currencies.

"We have worked 30 to 40 years to develop our countries to this level but along comes a man with a few billion dollars, and in a period of a two weeks has undone most of the work we have done," Dr Mahathir said.

Malaysia's foreign currency reserves fell M$8.8bn (US$3.3bn) during a 15-day battle with speculators recently. The ringgit, Malaysia's currency, has fallen significantly, driving short-term interest rates higher and the stock market lower.

Dr Mahathir said Mr Soros had attacked currencies of Asean nations because he wanted to punish them for admitting Burma, criticised for its human rights record.

Shanghai's market ambitions take shape

Over the last seven years, the run-down Pujiang Hotel at the end of Shanghai's colonial waterfront has played host to two classes of customer: backpackers and stockbrokers.

Upstairs, budget travellers cram into some of the cheapest rooms in central Shanghai, while the once-Grand Ballroom on the ground floor has been the temporary home of the Shanghai Securities Exchange since it opened in 1990. But next month brokers start moving out and into altogether higher class accommodation: the new Shanghai Stock Exchange building, built at an estimated cost of $250m, will be the largest trading floor in Asia and a monument to Shanghai's ambitions to become the region's pre-eminent financial centre.

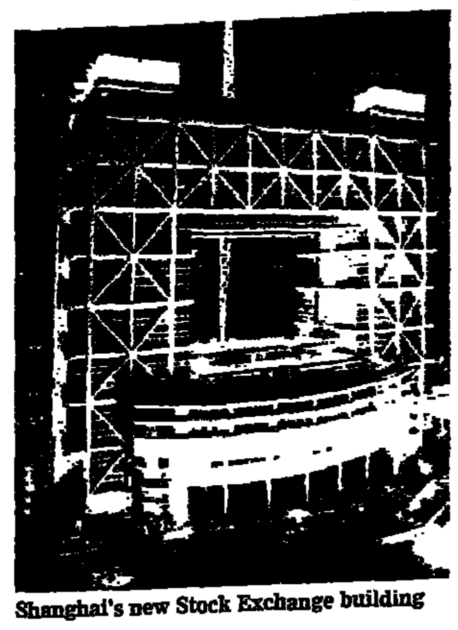
Emblematic of Shanghai's rediscovered relish for the stock markets, the high arch of blue glass walls, criss-crossed by a silvery-white aluminium frame, is designed to echo the Arc de Triomphe in Paris. The building is designed by WZMH architects from Canada and as Mr David Lam, chief representative in Shanghai, explained: "They wanted a landmark."

No expense has been spared on the interior: The trading screens were brought in from Japan, the sleek wood pannelling for the 1,600 trading booths were shipped from Italy and the acoustic ceiling undulating over the 3,600 sq metre main trading floor was imported from Germany.

But the physical construction of a state-of-the-art exchange may prove the easy part of building a world class stock market in mainland China. The regulatory foundations of an efficient, transparent and international market are not yet in place – China lacks a fully convertible currency, a securities law, a modern corporate ownership structure and market confidence. Shanghai can furnish China with the hardware to house a modern exchange, but it remains up to the political leadership in Beijing to develop the software of a modern securities industry.

Daily trading volume on Shanghai's fledgling market averages a modest $1bn. In Shenzhen, the other mainland market that neighbours Hong Kong and rivals Shanghai, turnover levels are only slightly higher. Capitalisation of the mainland China stock markets this year is expected to reach roughly Yn1,400bn ($168bn), roughly half the size of Hong Kong and similar to Singapore.

The bulk of China's mainland markets are A shares – denominated in local currency and reserved exclusively for mainland Chinese buyers – while B shares, which are bought and sold in foreign currency and, in theory, available only to foreigners, account for less than 5 per cent of the market. The total B share market capitalisation is just over $5bn, around the same size as the stock market in Sri Lanka. To make Shanghai a viable proposition to international investors, the first hurdle is full currency convertibility, which economists generally forecast as happening in five years or more.


Shanghai's new Stock Exchange building

In theory, capital account convertibility will precipitate a merger of the A and B share markets, multiplying the investment opportunities for foreigners in a single step.

Reform of the share structure of Chinese companies is seen as an equally important building block for the equities markets.

Most listed companies remain state-controlled, with shares registered in different categories – legal person shares, state shares, staff shares, individual shares – giving the holder varying, and often unclear, legal and economic rights.

Investors in Shanghai hope to see some clarification on the issue of ownership when Beijing finally ratifies a national securities law. The delay to the legislation has been symptomatic of the central government's ambiguous attitude to the equities markets. On the one hand, the exchanges are pillars of the socialist market economy, raising much needed capital to fund China's investment-driven economic development. On the other, the Beijing leadership remains wary of forces it cannot control, fearing speculative markets could collapse.

Regulators have intervened in the market, barring state-owned enterprises and then state banks from operating in the market. After a price-rigging scandal in the bond futures market in 1995, Beijing closed down the financial futures industry altogether.

In the meantime, the Shanghai Stock Exchange is looking to build confidence in a growing market. Mr Zhao Jinglun, on-site manager of the project, confesses: "This is a symbol. Trading floors these days do not need to be so big, as trading can be done electronically. In fact, it can be done from home. But we wanted crowds, the atmosphere of the market, to draw people in."

James Harding

Thais turn to former PM over economy

By William Barnes in Bangkok

A group of prominent Thai businessmen have urged the country's respected elder statesman, General Prem Tinsulanonda, to press for greater action to resolve the country's economic crisis.

The entrepreneurs – including the chairmen of two steel companies and a petrochemicals group – warned over the weekend that many people were losing faith in the government's ability to tackle a spreading malaise.

The prime minister, Mr Chavalit Yongchaiyudh, who subsequently met Gen Prem to try to deflect such worries, also came under more pressure to approach the International Monetary Fund for a loan. A former finance minister, Mr Virabongsa Ramangkura, said only a fully fledged IMF programme could save the economy.

The government has so far shied away from accepting the tough terms – including budget cuts and tax rises – that an IMF loan would entail. But many financiers have said an IMF rescue may be the only way to revive confidence.

The Fund's deputy managing director, Mr Stanley Fischer, warned a week ago that Thailand urgently needed a "clear and complete package of measures".

Last week's promise from Mr Thanong Bidayas, the finance minister, to present a "comprehensive economic package" to cabinet on July 5 has been treated with some scepticism in Bangkok.

Gen Prem, premier for most of the 1980s when the foundation of a decade-long boom was laid, was once Mr Chavalit's military boss and retains, as a privy councillor, the ear of the revered King Bhumibol Adulyadej.

The Thai military have launched 17 coups and coup attempts in the last 60 years but a spokesman denied any such action: Gen Prem has been a clear opponent of military intervention.

The 20 per cent drop in the baht's value since its flotation on July 2, combined with rising interest rates, has hit companies struggling with a bad debt crisis and a slowing economy.

US and Beijing work on summit accords

By James Kynge and Ted Bardacke in Kuala Lumpur

The US-China summit planned for October could be the most important encounter between the two countries for a decade, says a senior Chinese official.

Although Mr Jiang Zemin, China's president, and Mr Bill Clinton, the US president, have held talks previously, their meeting would be the first formal Sino-US summit of the Clinton presidency.

Both sides want to ensure that the bilateral talks – tentatively scheduled for October 28 in Washington – yield substantive results on trade and security matters and rise above pageantry.

Mr Qian Qichen, China's foreign minister, said the two sides had made progress at the weekend on resolving barriers to signing an accord in October which would let US companies sell nuclear energy equipment to China.

The pact, called the Peaceful Nuclear Co-operation agreement, was negotiated a decade ago but suspended.

The main stumbling block to its implementation has been US insistence that China adhere to an effective and sufficiently transparent system of arms export control.

Mr Nicholas Burns, spokesman for the US State Department, said that Beijing had indicated it would establish a "new series of measures that would build up export controls".

A senior Chinese official said that the two sides were working intensively to ensure that a number of agreements could be concluded at the summit.

The two sides have made progress on allowing China to buy nuclear energy equipment from the US

Progress on the issue came after a series of meetings between Mr Qian and Mrs Madeleine Albright, the US secretary of state, on the fringes of a meeting of the Association of South-East Asian Nations (Asean).

Mr Qian appealed to the US to show more "pragmatism and flexibility" over Beijing's admission to the World Trade Organisation, adding that Beijing had made big efforts to meet the criteria that Washington and others have laid down for entry into the body.

The Chinese foreign minister also said that Beijing was ready for a dialogue on human rights as long as it was not confrontational and was conducted on the basis of "respect and equality". Such human rights questions could be discussed by US and Chinese non-governmental groups, Mr Qian said.

The question of Taiwan was likely to be a topic at the summit, said a senior Chinese official, but it was unlikely that Beijing would press for the signing of a fourth Sino-US communique on relations with Taiwan. He said it was important that Washington showed its sincerity not by words but by actions.

Relations soured in 1995 after the US granted a visa to Mr Lee Teng-hui, Taiwan's president, to visit his alma mater, Cornell University. China, which regards Taiwan as one of its provinces, objects to any official recognition of Taiwan.

Nod from IMF caps Sharif's economic drive

By Farhan Bokhari in Islamabad

Pakistan's prime minister, Mr Nawaz Sharif, continues to forge ahead with plans for solving his country's economic problems.

His success last week in virtually securing $1.6bn in loans from the International Monetary Fund – to be formally sanctioned in September – follows a raft of bold reforms. These include cuts in import tariffs, in income tax rates and in interest rates, which were further lowered at the weekend.

"It is quite satisfying to note that the IMF sees this government as a friendly government," Mr Sharif said.

The IMF loan is the key to salvaging Pakistan's growing external indebtedness, which at $39bn had earlier prompted some analysts to speculate it might default as early as next year on its foreign debt obligations.

Pakistan's relations with the IMF have not always been warm. Four Fund programmes have collapsed in the past five years, mainly because of Pakistan's failure to improve official revenues and narrow its fiscal deficit.

The Fund's endorsement, revealed publicly by Mr Paul Chabrier, director of the IMF's Middle Eastern department, added momentum to the Karachi stock market's KSE-100 index, which ended last week 10 per cent higher.

The signs of investor activity on the stock market follow a downturn in economic activity in the last financial year, which runs from July to June. Large-scale manufacturing contracted during that time by 1.4 per cent, while agriculture, which accounts for a quarter of gross domestic product, grew just 0.7 per cent, compared with 5.3 per cent in the previous 12 months.

Mr Sharif's response to what many regard as Pakistan's worst economic crisis has been a strategy based on new investment incentives and lower personal and corporate taxes to boost growth.

Mr Sharif hopes to deal with tax evasion. But few believe he will crack this nut in a country where only about 1m from a population of 140m pay taxes.

Pakistan

July 1996 – June 1997

● GDP growth	3.1%
● Growth in agriculture	0.7%
● Official foreign exchange reserves (projected for June 30 1997)	$945m
● Export growth	0.5%
● Import growth	-0.4%
● Budget deficit (% of GDP)	6.2%
● Current account deficit (% of GDP)	7.1%

Source: Finance ministry

"In the long run it's the ability of the government to collect tax revenues and to generate income through increased exports" which matters, says Mr Ali Jameel, head of corporate finance at Karachi's Jehangir Siddiqui brokerage. "Given the state of the economy, that is very doubtful" in the short term.

Incentives for export-oriented industries, announced this month, are the government's response to a widening trade deficit of $3.37bn last year. A 30 per cent wheat price rise for farmers is aimed at reviving growth in agriculture.

Aside from stock market reaction, the immediate benefit from the expected IMF agreement would be an improved international business outlook for Pakistan.

Senior officials say Pakistan will begin preparations for seeking reappraisal of its credit rating by Moody's and Standard & Poor's, the international credit rating agencies. Moody's downgraded Pakistan's foreign currency debt rating two years ago.

Critics claim Mr Sharif's strategy is risky. With much tax evasion and corruption, many are convinced lower tax rates alone will not improve government revenues. Mr Sharif's "pro-business" stance has been criticised, too, for neglecting punitive action such as tough prosecution and jail sentences for tax evaders.

Kenyan president is under pressure to act over graft or risk losing $220m IMF funds

Moi weighs tough corruption probe

By Michael Holman and Michela Wrong in Nairobi

President Daniel arap Moi has to decide this week whether to establish an independent anti-corruption authority to investigate top government officials or face the collapse of Kenya's International Monetary Fund loans.

Officials in Nairobi said the proposed authority, set out in a parliamentary bill being drawn up by Mr Amos Wako, Kenya's attorney general, and now awaiting Mr Moi's backing, would be Africa's toughest anti-graft body.

The proposal will be seen as a response to an unprecedented call from the IMF last week for the government to demonstrate by the end of this month that it will take tougher action against corruption.

But IMF officials are understood to have made clear to the Kenyan government that failure to address concerns about the allocation of two controversial power contracts and the overall management of the energy sector, as well as continuing corruption in the customs department could still prompt suspension of the IMF's $220m loan.

The anti-corruption authority's director would have the status of a high-court judge, with security of tenure. His selection would not be in the president's gift and the authority would have the power to bring both criminal prosecutions and civil suits, as well as take action to recover missing state funds.

This opens the way for the authority to prosecute cabinet ministers and officials suspected of complicity in Kenya's biggest financial scandal, the Goldenberg affair.

The scam, which involved the abuse of the government's export incentive scheme by a company dealing in fictitious gold and diamonds, cost Kenya an estimated $400m in public funds in the early 1990s. Western donors and IMF officials have long suspected that a senior government minister was implicated in the Goldenberg affair. They say he would be a prime target of investigation for an anti-corruption authority.

Mr Moi will have to weigh the benefits of retaining Kenya's loan programme, usually a condition for access to donor funds, against the consequences of an investigation which could expose the extent of corruption in government and the ruling Kanu party in the run-up to this year's elections.

Officials in Nairobi said the anti-corruption authority would have the power to order police investigations as far back into the past as deemed necessary. Its chief executive and senior staff would be nominated by an independent committee, which would present its choice for presidential approval.

IMF officials have welcomed the proposal but stress it must be a Kenyan initiative. It is thought, however, that the Fund, the World Bank and leading donors would be prepared to provide advice on setting up the authority.

Kenya's IMF loan is currently hanging in the balance after a fund mission to Nairobi told the board in Washington that government progress in cleaning up corruption was falling short of expectations. The Fund gave Nairobi until July 31 to take "strong steps".

Mr Moi is having to cope with resistance from some of his senior ministers and closest advisers whose alleged involvement in the Goldenberg affair and other financial scandals is likely to come under scrutiny. But advocates of clean government have been making clear to Mr Moi the serious consequences of a break with the IMF.

The government's recent crackdown on demonstrators calling for constitutional reform has already shaken the Kenyan shilling and analysts say IMF suspension would trigger renewed capital flight and dampen foreign investor interest.

The authorities' last-minute decision to issue pro-reform campaigners a licence for a weekend rally in the port of Mombasa was a measure of government concern at the level of anger in donor ranks over its perceived tardiness in levelling the electoral playing field.

The granting of the licence allowed Saturday's meeting to take place peacefully, avoiding a repeat of clashes between police and protesters which killed at least nine people on July 7.

Protesters at a Mombasa rally yesterday chase away government-backed rivals Reuter

Azerbaijan looks to US to end sanctions

By Charles Clover in Moscow

Azerbaijan's president, Mr Haidar Aliev, arrives today in Washington for a week of meetings, including talks on Friday with President Bill Clinton, which may spell the end of US sanctions against the republic.

Mr Aliev will be the second ruler from the Caucasus to receive red-carpet treatment from the US this month, as the region becomes a linchpin in the US strategy to control Caspian Sea oil reserves. Mr Eduard Shevardnadze, the Georgian president, also met Mr Clinton two weeks ago.

For 10 years, Azerbaijan has been fighting with Armenia over the Nagorno Karabakh enclave. But US efforts to mediate have been hindered by a ban on aid to Azerbaijan imposed by the US Congress. Congressional leaders have cited human rights concerns as the reason for the ban, though Azerbaijani officials blame it on a powerful Armenian lobby in Washington.

Congress is considering legislation which would lift the ban and observers say that Mr Clinton's support will be essential.

Mr Aliev's visit comes amid a flurry of US diplomatic activity involving the Caucasus and central Asia. The overall US objective, according to some diplomats, is to ensure that the Caspian Sea's oil is exported by routes which avoid Russia, thereby undermining Russian hegemony over the region.

Azerbaijan not only possesses vast oil reserves but is being considered for a pipeline route which would carry Caspian oil from the central Asian states to the Georgian port of Batumi.

Until recently, this route was just one permutation being considered for such pipelines but several factors have made the Azerbaijan-Georgia route attractive. One is that China has declared its intention to build a pipeline across Kazakhstan to import oil from that country, making US officials anxious about the possibility of growing Chinese influence.

The US has decided not to oppose construction of a $1.6bn pipeline that would carry natural gas from central Asia across Iran, an administration offical said yesterday, Gerard Baker reports from Washington. The decision marks the first time since the Islamic revolution in 1979 that Iran has been permitted to take part in a big international energy project.

The National Security Council said the project did not break the 1996 Iran-Libya Sanctions Act. The law forbids US or foreign companies from investing more than $40m in Iran's oil and natural gas sector but does not address the case of pipelines carrying other countries' oil and gas across Iran.

Peru falls out of love with its president

Sally Bowen on how Fujimori has lost favour with the public

Beleaguered as never before in seven years of government, President Alberto Fujimori will be attempting to win back some of his dwindling popular support when he delivers his annual state of the nation address to Peru's Congress today.

Politicians, the business community and the public at large are eager – though not particularly hopeful – for an optimistic, forward-looking message accompanied by a round rejection of the recent doubts raised over his place of birth.

The gradual undermining of the president has been exacerbated by last week's uproar over a possible nationality scandal. Caretas, a respected local news magazine, unearthed and extended a 1993 investigation which strongly suggests Mr Fujimori may have entered Peru in 1934 as a small child with his immigrant parents, rather than being born Peruvian. If proven, this would illegitimise his presidency with legal and constitutional implications that few Peruvians are yet willing to contemplate.

Since he boldly gave the order for the dramatic rescue of 73 hostages in the Japanese embassy residence in late April, massively boosting his approval ratings, Mr Fujimori has given tacit backing to a series of unconstitutional initiatives. These included the sacking of three senior judges and the stripping of the nationality from the foreign-born owner of an influential television station. At the same time, the president has shown no sign of abandoning his desire to twist the constitution and run again for office in 2000.

Although the economy has been convincingly turned round after its spectacular collapse in the late 1980s, per capita income is still around the level of 30 years ago. Foreign investment, stimulated by privatisations and friendly legislation, has bloomed, but few jobs have been created. Polls show unemployment is Peruvians' greatest current concern.

On top of growing disenchantment with the Fujimori economic formula, scandals have recently buffeted an administration which had been justly hailed for curbing inflation, creating economic stability, embarking on structural reforms and combatting terrorism.

Recent revelations of torture and murder by agents of the army intelligence service and the leaked tax returns of the chief security adviser, Mr Vladimiro Montesinos (disclosing, for Peru, fabulous levels of earnings), have raised serious question-marks over the accountability of Mr Fujimori's principal allies, the armed forces and the intelligence services. The question most frequently asked in Peru today is: who is really running the country?

Businessmen, both Peruvian and foreign, are also increasingly critical of the judiciary. All too often, judges who hand down a decision unfavourable to the authorities find themselves dismissed or replaced. The dishonesty of government officials, say many, is back at the levels of the García regime in 1985-90, traditionally cited as one of Peru's most corrupt.

> Question asked most frequently is: who runs the country?

Mr Fujimori's style of government is highly personalist and authoritarian. He manages Peru with a tight circle of trusted advisers, most of whom feature on no official payroll. The impression is of an increasingly isolated president who has run out of ideas.

The message most Peruvians would like to hear today is a pledge that Mr Fujimori will not run for re-election.

The ball is in his court. If he fails to revive his people's flagging confidence by some bold stroke of policy, the long road to the next general elections will appear even more intolerable to those waiting in the wings for their turn in power.

Finance chiefs get US share benefits

By John Authers in New York

Chief financial officers in the US have benefited from the booming stock market even more than chief executives, according to a survey, with total remuneration packages almost doubling last year.

An analysis of companies' proxy data by Global Finance Magazine, a US publication, found that total remuneration for the chief financial officers for the nation's largest 350 companies rose 97.11 per cent during 1996, to an average of $2.99m.

Stock option programmes were chiefly responsible, with exercised options alone accounting for slightly more than half (50.58 per cent) of total remuneration. Cautious sentiment among accounting officers, who may have thought that equity markets were due for a fall by the end of last year, led many of them to exercise options.

Many options programmes have been criticised for being too generous, as in many cases share price targets which appeared ambitious three years ago have been surpassed by companies which have barely kept pace with the sustained equity bull market.

The best paid officer was Mr Rollin Dick, of Conseco, an Indiana-based life insurance holding company. He received total remuneration of $12.84m according to the magazine, of which only $4.96m came from his salary and bonus. His total pay rose by 249 per cent.

Conseco has been one of several companies to lead the consolidation of the life insurance industry, making more than 20 acquisitions during the current decade. Its share price has out-performed all other life insurers. Its chief executive, Mr Stephen Hilbert, is also committed to an aggressive programme of buying stock for employees, with a target that all staff should have a stake in the company.

After Mr Dick, the magazine listed Mr Lennert Leader, chief financial officer of America Online, the biggest US internet provider, who netted total pay of $10.2m, despite having a salary of only $195,000.

INTERNATIONAL NEWS DIGEST

Israeli homes tension grows

A US millionaire who plans to build a Jewish settlement in the heart of Arab East Jerusalem yesterday vowed to press ahead with his project in defiance of Arab condemnation and Israeli reservations.

"The entire subject of whether I should build or not is ludicrous because I have a right to build," said Mr Irving Moskowitz, a US Jewish businessman who owns a plot of land in Ras al-Amond, an Arab neighbourhood of 11,000 residents in East Jerusalem. Mr Moskowitz, a longtime patron of Jewish settlers in Israeli-occupied territories, won approval for the 65-unit housing project last week from Mr Ehud Olmert, Jerusalem's hardline mayor.

At the weekend, Syria, Egypt and Jordan joined the Palestinians who have called the plan a "declaration of war". Israel told the US it intended to stop the Ras al-Amoud project from going ahead "at this time". But Israeli policy in East Jerusalem had not changed.

Mr Nabil Sha'ath, senior Palestinian peace negotiator, will today meet Mr David Levy, Israel's foreign minister, to discuss restarting peace talks on interim issues including a safe passage between the West Bank and Gaza and a Palestinian air and sea port in Gaza.

Meanwhile, an opinion poll yesterday showed a growing number of Jewish settlers in the Israeli-occupied West Bank would reject any Israeli government decision forcing them to evacuate their homes, even for fair compensation. *Avi Machlis, Jerusalem*

Moves and manoeuvres, Page 14

■ CUBA-US HOSTILITY

US 'backing dirty war'

Cuba's defence minister, General Raúl Castro, the brother of President Fidel Castro, has accused the US government of supporting what he called "a dirty war" against his country by "terrorist groups".

In a weekend speech to mark Cuba's Moncada Day, the anniversary of the launching of President Castro's rebel struggle in 1953, Gen Castro cited recent bomb attacks against two Havana tourist hotels and US support for Cuban anti-government dissidents as examples of Washington's continuing policy of hostility towards Cuba. He also repeated a Cuban charge, already rejected by Washington, that a US government crop-duster aircraft had released a crop plague over west Cuba late last year.

His speech appeared aimed at stirring up anti-US feeling ahead of a policy-making congress in October of Cuba's ruling Communist party, which is expected to ratify the leadership's declared intention of maintaining one-party socialism. It was not clear why President Castro, who usually gives the annual July 26 speech, had delegated the task to his younger brother. The president, who will be 71 next month, attended the ceremony but looked tired. *Pascal Fletcher, Havana*

■ INDONESIA

Megawati march halted

Followers of Ms Megawati Sukarnoputri, the ousted Indonesian minority party leader, marched through the capital Jakarta yesterday defying a ban on marking the first anniversary of a police-backed raid on their offices.

In the morning, about 500 supporters of Ms Megawati congregated for a brief silent prayer near the headquarters of the Indonesian Democratic party (PDI), and moved toward the building carrying wreaths and flowers they planned to lay on the spot, witnesses said.

But the activists were blocked by rows of shield-carrying and helmeted riot police and they left the area peacefully. The raid on the PDI headquarters on this day last year led to the worst rioting in Jakarta in more than two decades. *Reuter, Jakarta*

■ HONG KONG UTILITIES

Power group to cut jobs

China Light and Power (CLP), the biggest of Hong Kong's two electricity suppliers, is seeking voluntary redundancies among 3,600 employees. Although it says it has no target number, the company is aiming to prune its payroll following the planned merger of its transmission and distribution divisions.

The move, planned to take effect later this year, follows a series of job losses which has seen CLP's workforce fall from 6,640 in 1993 to around 5,500.

The utility said the reductions were the result of improved technology and the decommissioning of some old power plants. The benefits of any savings would benefit customers *Louise Lucas, Hong Kong*

■ KHMER ROUGE

Reporters see Pol Pot

Cambodia's Khmer Rouge guerrilla chief Pol Pot has been seen by outsiders for the first time in almost 20 years, an American journalist said yesterday.

Mr Nate Thayer, a correspondent for the Hong Kong-based Far Eastern Economic Review, said he and a colleague saw Pol Pot in the guerrillas' last major stronghold in northern Cambodia on Friday.

Pol Pot, now almost 70, was last seen by reporters in late 1979, a year after he and his Khmer Rouge government were forced from Phnom Penh. There have been rumours he was already dead. *Reuter, Phnom Penh*

■ SINO-RUSSIAN RELATIONS

Yeltsin to visit China

Russian President Boris Yeltsin will be visiting China in November, according to an announcement yesterday in Russia's official news agency Itar-Tass. Russian overtures to China, after years of enmity, are seen by most experts as a reaction to Nato expansion into eastern Europe.

Mr Yeltsin's first overture to China was in 1996 and the two countries have signed a number of political and economic agreements, including the Shanghai accords on border troop reductions. *Charles Clover, Moscow*

■ IRAQI ARMS

UN starts weapons check

United Nations germ warfare experts yesterday began inspecting Iraqi sites to check whether Baghdad still possessed biological weapons, a UN arms official in Baghdad said.

Mr Nils Carlstrom, director of the monitoring and verification centre, said the team arrived on Saturday and met the head of the Iraqi national monitoring department, Mr Hussam Amin.

Mr Richard Butler, chairman of the UN Special Commission (Unscom) in charge of disarming Iraq, said in Baghdad he had agreed with the Iraqis a plan to eradicate biological, chemical and missile weapons over the next month.

UN curbs on Baghdad's oil exports imposed for Iraq's 1990 invasion of Kuwait cannot be removed until Unscom testifies that Iraq's weapons of mass destruction have been annihilated or rendered harmless. *Reuter, Baghdad*

هكذا من الاصل

Israeli homes tension grows

NEWS: UK

Smaller exporters hit by strong pound

By Daniel Green

Britain's small and medium sized businesses are buckling under sterling's surge as much as their larger rivals according to a report from the Confederation of British Industry.

New export orders for small and medium-sized businesses are falling at the fastest rate for more than six years, says the survey conducted by the CBI and chartered accountant Pannell Kerr Forster.

However, total new orders and output have increased because domestic activity has continued to rise.

The findings are likely to add to conflicting pressures on the Bank of England, the UK central bank, as it considers whether to raise interest rates for the fourth consecutive month in August.

The impact of the pound on manufacturers will be highlighted on Friday with the publication of the purchasing managers' index.

However, tomorrow's consumer credit figures may not *show a sharp rise, as shop*pers made use of the windfall gains they have made from the flotation of building societies – as mutually owned savings and loans groups are known.

Higher interest rates would add to sterling's strength and further hurt exporters, but could head off inflation threatened by rising consumer spending.

Last week's consumer spending figures showed retail sales rising 0.6 per cent in June, an increase which followed May's 1.2 per cent increase.

The survey results follow last week's CBI quarterly survey in which manufacturers reported the biggest collapse in their export prospects for almost 17 years.

Today's report showed that for small and medium sized businesses, export orders are set to keep falling over the next four months, with expectations at their lowest since January 1991.

Mr Tony Bonner, chairman of the CBI's SME council, said: "Small and medium enterprises have been hard hit by the strength of sterling."

"The seemingly inexorable rise in sterling is a disturbing development, placing a tight squeeze on exporters' margins," he said.

The net effect of depressed exporters and good domestic demand was that business confidence overall was unchanged. However, confidence had increased for the previous three months and the fall in optimism on exports was the fastest since October 1980.

Mr Raymond Blin, partner at Pannell Kerr Forster, accountants, said: "The buoyancy that has been in evidence among SMEs over the last year seems to be running out of steam as the recent rise in business optimism has come to a halt."

Plant and machinery investment intentions are the weakest since January 1993, the survey finds, although the smaller companies plan to invest more than their larger rivals.

Medium-sized companies are suffering more from the fall in confidence over exports.

Late payers may have to pay interest

By John Kampfner and Stefan Wagstyl

Large companies that fail to settle their bills to smaller ones on time will be charged statutory interest under plans to be introduced today as the government starts its campaign to stamp out late payments.

A consultative paper issued by the trade and industry department will give business until October 3 to advise on the best means of tackling the problem which the government says has caused disproportionate damage to small companies.

The proposals will be welcomed by many small businesses, but could run into opposition from others and from large companies that are hostile to the principle of statutory interest.

Ministers decided on a step-by-step approach to send a signal of their determination to help small businesses, which often find themselves at the end of a chain of payments.

Along with larger companies, government departments and local authorities will also be obliged to comply as part of future contractual arrangements with small companies.

If the partial scheme succeeds, ministers will look at extending its range to cover all corporate sectors.

Legislation imposing statutory interest – seen as unnecessary and counterproductive by the previous Conservative government – was a late inclusion in the Queen's speech setting out Labour's 1997-98 programme.

Mrs Barbara Roche, small companies minister, said submissions to the government have shown that a large majority of small businesses see statutory payments as the only means remaining of tackling a problem that prevents long-term financial planning.

"We want to send two messages, of support to small business, and determination to deal with a problem that threatens the viability of many companies and competitiveness in general," she said.

She cited a survey last week of northern businesses in which only 8 per cent of respondents said they always paid their suppliers on time. A third of companies said it was their policy to make late payments and that this was an effective source of credit, while a similar number blamed cashflow difficulties.

The government's plans will be welcomed by the Forum of Private Business, a small-business pressure group which has long campaigned for statutory interest.

But the Confederation of British Industry, the UK's biggest employers' body, said on Friday that the small and medium-sized companies among its members were opposed to statutory interest. They would be consulted again said an official, "but there is no reason why their views should have changed in principle".

Naturally growing business

Government set to give extra help to organic farms

Malcolm Watson

Pigs, cattle and sheep are reared at Eastbrook, one of the UK's largest organic farms

Mr Elliot Morley, the agriculture minister responsible for the countryside, will tomorrow announce that the government is looking at promoting organic farming and will seek views from the industry.

He is expected to indicate that the government accepts in principle the case for an increase in the amount paid to farmers through five-year conversion grants, which assist during the switch from conventional to organic farming.

However, organic farmers fear he will not agree to their requests for maintenance grants to continue subsidies after conversion is concluded. Many other European states provide such payments.

Mr Morley is to make the announcement during a visit to Eastbrook Farm, near Swindon, south-west England, one of the largest organic farms in the UK.

Eastbrook is run by Ms Helen Browning, chair of British Organic Farmers, the producer division of the Soil Association which campaigns for "sustainable" farming.

Ms Browning said she would lobby hard for the introduction of maintenance grants. These would provide farmers with a long-term safety net, giving them the confidence to convert without worrying that prices for organic products might fall sharply in future if a large number of farmers switched.

Mr Patrick Holden, director of the Soil Association, said the government did not accept the argument for maintenance payments because organic farmers received higher prices for their products and therefore did not need further help. He said that was ironic, since premiums on organic food were caused by shortages reflecting the lack of organic farmers, caused by the government's policy.

Ms. Browning's 1,336-acre farm has been held up as an example of successful organic farming. Conversion to organic farming began in 1984. The farm keeps dairy and beef cattle, pigs and sheep and grows cereals.

Only 0.3 per cent of agricultural land in the UK is farmed organically, the lowest proportion of any member state in the European Union. Organic farmers have campaigned for an increase in grants under the Organic Aid Scheme, introduced in 1994.

The conversion grants, which total £250 per hectare over five years, help farmers through the conversion period when they suffer lower yields, because they have stopped using fertilisers and have not yet built soil fertility through other means, but cannot sell products as "organic" and thus obtain higher prices.

Last week, CWS Agriculture, one of the largest farming companies in the UK, completed a seven-year organic experiment which suggested organic farming could be nearly as profitable as conventional farming.

Mr Alastair Leake, the project manager, said he had been surprised by the results of the experiment.

The market for organic products is growing by 20 to 30 per cent a year, and the UK has been unable to supply all the demand.

Consumer research suggests more people would buy organic products if the prices were lower.

Maggie Urry

Study points to 'unprecedented' rise in inequality

By Andrew Balls

The UK has experienced an unprecedented rise in inequality over the past 20 years, according to a study published today by the Institute for Fiscal Studies.

The richest 10 per cent of the population now has as much income as all households in the bottom 50 per cent, and on all measures poverty has increased, the study shows.

The rise in income inequality in the 1980s reversed a record of falling inequality in the previous three decades. "The increase in inequality is probably the biggest social change we have experienced in the last 20 years," said Mr Paul Johnson, joint author of the report. "With no apparent chance of higher social security benefits, higher taxes or better earnings prospects for the low paid, this change with all its consequences is here to stay."

London is the richest UK region, but it is also by far the most unequal. The south as a whole is also richer and more unequal than the UK as a whole. Wales is the poorest region.

The IFS report points to the importance of the large rise in unemployment in explaining the trend of growing inequality. As unemployment grew during the 1980s and 1990s, there has been an increase in both no-earner and two-earner households.

"Means-tested [welfare] benefits have grown dramatically in importance for many poorer households," says the report. By 1993, more than 70 per cent of income in the bottom 10 per cent of households came from means-tested benefits such as income support and housing benefit.

Single parent families are the poorest family group, but there has also been a large rise in inequality among couples with children, which make up more than half of the poorest 10 per cent of households.

Those in the lower income group will not necessarily stay there. However, the report shows that low income is strongly related to low income in previous years, and that people who escape from low income have a tendency to slip back.

Editorial Comment, Page 15

UK NEWS DIGEST

Plan to tackle prison crowding

The government will this week announce an overhaul of community punishments for *criminals* as part of increasingly desperate efforts to tackle a burgeoning prison population.

Mr Jack Straw, minister for home affairs, will outline three measures he hopes will restore public confidence in schemes that deal with minor offenders outside jail. Electronic tagging, where movements of offenders serving punishments in the community are monitored, will be expanded. Probation officers will undergo more rigorous training, with less emphasis on social work and more on discipline, and the requirement for those sentenced to community work to declare their consent will be scrapped. Mr Straw's announcement follows an internal prison service report last Friday which showed the prison population up by almost 2,500 since the general election. *John Kampfner*

■ HUMAN RIGHTS

Tough privacy laws likely

Tough new privacy laws are likely to follow the incorporation of the European Convention on Human Rights into British law, the government has said.

Lord Irvine of Lairg, the Lord Chancellor, the head of the judiciary in England and Wales, said that even if the government did not introduce legislation, the judiciary would, following incorporation, be able to develop privacy laws on a case-by-case basis.

Pointing to the importance of articles 8 and 10 of the European convention, Lord Irvine said: "If you ask me what happens when you incorporate the European Convention, and do you predict the courts will develop a law of privacy, I say yes." But he stressed the public and the media should give "serious thought" to the merits of regulation by parliamentary statute.

Mr Iain Duncan-Smith, a Tory frontbencher, said privacy laws would "muzzle" investigative journalism. "The government is fast heading towards a style of media control in which the media cannot break stories about corruption – this is very un-British," he said. *Liam Halligan*

■ EQUAL OPPORTUNITIES

Both sexes face 'outdated' ideas

Women and men are victims of outdated attitudes about what is or is not "suitable" employment for them, according to the Equal Opportunities Commission. Briefing papers published today say men are being left out in the cold by the flexible labour market, while women are still unable to crack the "glass ceiling" and move into the boardroom.

"Men's unemployment rate is one-and-a-half times that of women, yet only 16 per cent of part-time jobs are filled by men. While the overwhelming majority of part-time workers are female, women are still rarely found in the boardroom, with less than 5 per cent of directors being female," it said.

The commission said the culture of long hours, which excluded women with families, and the lack of family-friendly policies such as job-sharing in senior positions, were holding women back and damaging the British economy. *Andrew Bolger*

■ FOOD SAFETY

Store withdraws toddler milk

J Sainsbury, the food retailer, has withdrawn all supplies of its own-label Fresh Toddler Milk from its stores as a "precautionary measure" following the outbreak of a rare strain of salmonella food poisoning. Sixteen people have contracted this particular strain of salmonella so far this year, compared with 12 in 1996 and seven in 1995. Six of this year's casualties are young children, all of whom had drunk the milk. It is not yet known whether the milk was linked to the salmonella outbreak, but Sainsbury decided to withdraw it until the Department of Health had completed an investigation. The milk was removed from Sainsbury's stores on Friday immediately after the health department had alerted the chain to the possibility of a salmonella link. *Alice Rawsthorn*

■ SCOTTISH PARLIAMENT

Support for tax levy power slips

Opposition to a Scottish parliament's right to levy up to 3p extra on top of the basic rate of income tax has increased by four points to 36 per cent, according to an ICM poll for the Scotland on Sunday newspaper. Support for the tax has fallen six points to 55 per cent. Support for devolution is down four points to 68 per cent. The paper says the narrowing of opinions raises the possibility of the government's "nightmare scenario" of a hung vote in the Scottish devolution referendum on September 11.

THE WEEK AHEAD

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Dartmoor Inv Tst, Chamber of Shipping, 12, Carthusian Street, E.C., 12.05
Foreign & Colonial Smaller Cos, Stationers' Hall, Ave Maria Lane, E.C., 11.30
Harris (Philip), Swindon Hall Hotel, Swinfen, Lichfield, Staffordshire, 2.30
Hartstone, 10, Snow Hill, E.C., 2.30
Hewetson, Marfleet, Hull, 12.00
Hiscox Select Insurance Fund, 52, Leadenhall Street, E.C., 11.00
Powerscreen Intl, Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.00
Tex Hldgs, 49, Glebe Place, Chelsea, S.W., 11.00
Tinsley Robor, 28, Gresham Street, 12.00
BOARD MEETINGS:
Finals:
Allied Carpets
CRT Group
Saville Gordon (J)
TR Smaller Co Inv
US Smaller Co Inv
Interims:
Derby Tst
Estates & General
Fidelity European Values
Hibernian Group
Holders Technology
IMS Group

■ TOMORROW
COMPANY MEETINGS:
Edinburgh Inc Tst, Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.00
Evans of Leeds, Millshaw, Ring Road, Beeston, Leeds,12.00
FKI, Forte Posthouse Hotel, Clifton Village, Brighouse, West Yorkshire, 12.00
Fulcrum Inv Tst, Royal York Hotel, Station Road, York, 10.30
GWR, Academic House, 24-28, Oval Road, N.W., 12.00
Lawrie, 1, Hobart Place, S.W., 11.00
M&G Second Dual Tst, 3, Minster Court, Great Tower Street, E.C., 10.00
Monks Inv Tst, Brettenham House, 6, Lancaster Place, W.C., 10.30
National Power, Wembley Conference *Exhibition Centre, Empire Way, Wembley*, 11.30
Shelton (Martin), Jarvis Parkway Hotel & Country Club, Otley Road, Leeds, 12.00
South West Water, University of Exeter, Exeter, Devon, 11.00
Thames Water, Barbican Centre, Silk Street, E.C., 2.00
Unigate, Hotel Inter-Continental, Hamilton Place, Hyde Park Corner, W., 12.00
BOARD MEETINGS:
Finals:
Black Arrow Group
Bucknall Group
Interims:
Abbey National
Admiral
Brixton Estate
Capita Group
ISA Intl
Kleinwort Overseas
Law Debenture
Moorepay Group
Shandwick Intl

■ WEDNESDAY 30 JULY
COMPANY MEETINGS:
Allen, *The Britannia Hotel, Portland Street, Manchester*, 12.00
Allied Colloids, Cedarcourt Hotel, Bradford, 12.00
Archer Dedicated, 2, Minster Court, Mincing Lane, E.C., 10.30
Avesco, Venture House, Davis Road, Chessington, Surrey, 10.00
Babcock Intl, *Chamber of Shipping*, Carthusian Court, 12, Carthusian Street, E.C., 12.00
CLM Insurance Fund, Fountain House, 130, Fenchurch Street, E.C., 12.00
CML Microsystems, Pontlands Park, West Hanningfield, Great Baddow, nr. Chelmsford, 12.00
Contra-Cyclical Inv Tst, Aldermans House, Aldermans Walk, E.C., 12.30
CPL Aromas, Barrington Hall, Hatfield Road Oak, Bishops Stortford, Herts, 12.00
Derwent Estates, New Connaught Rooms, *61-65, Great Queen Street, W.C., 12.00*
Davenport Knitwear, Allen House, Newarke Street, Leicester, 11.15
Finsbury Worldwide Pharmaceutical Tst, Founders' Hall, No.1 Cloth Fair, E.C., 12.30
Helma, The Savoy Hotel, The Embankment, W.C., 12.00
London & Edinburgh Publishing, The White House Hotel, Albany Street, Regents Park, N.W., 11.00
Oxford Instruments, Old Station Way, Eynsham, Witney, Oxon, 2.30
Policy Portfolio, Cheapside House, 138, Cheapside, E.C., 10.00
Ronson, Ronson House, Broadfield Park, Brighton Road, Crawley, West Sussex, 10.00
Severn Trent, International Conference Centre, Birmingham, 2.30
Stoddard Sekers, Glenpatrick Road, Elderslie, Renfrewshire, 12.30
Sutcliffe, Speakman, 4, Great St Helens, E.C., 12.00
Whitecroft, The Holiday Inn Crowne Plaza Midland, Peter Street, Manchester, 2.30
BOARD MEETINGS:
Finals:
Channel Hldgs
Pif Group
MISYS
Rubicon Group
Wyko Group
Interims:
Broadcastle
Fairway Group
Guardian Royal Exchange
Murray Intl Tst
Waste Recycling Group

■ THURSDAY 31 JULY
COMPANY MEETINGS:
BBS, Leicester City Football Club, Filbert St, Leicester, 12.00
Business Post, 30, Furnival Street, E.C., 4.30
Camellia, Park Lane Hotel, Piccadilly, W., 10.30
Dart, 20, Farringdon Road, E.C., 10.00
Fairbriar, The Academy, Fortescue, Simpson Road, West Drayton, 11.00
Fleming Far Eastern Inv Tst, The Brewery, Chiswell Street, E.C., 3.00
Hambro Insurance Services, 41, Tower Hill, E.C., 12.00
Kleinwort Emerging Mrkts Tst, 10, Fenchurch Street, E.C., 12.30
London Industrial, New Broad Street House, 35, New Broad Street, E.C., 11.00
Oriel, 19-21, Tudor Street, E.C., 11.30
Plantation & General Invs, One St Paul's Churchyard, E.C., 11.00
Tamaris, Grant Thornton House, Melton Street, Euston Square, N.W., 11.00
Tried, The Registry, Royal Mint Court, E.C., 4.30
BOARD MEETINGS:
Finals:
Abbey
Jersey Phoenix Tst
Murray Income Tst
Peterhead Group
Stewart & Wight
Surrey Free Inns
Interims:
Allied Irish Banks
Cowie Group
Fidelity Japanese Values
Glaxo Wellcome
Green Property
Lasmo
Ocean Group
Rotork
TI Group
Witan Inv Co

■ FRIDAY 1 AUGUST
COMPANY MEETINGS:
AerTech Intl, Phoenix Crescent, Strathclyde Business Park, Bellshill, 11.30
BPS, Grosvenor House Hotel, Park Lane, W., *12.00*
Gartmore Irish Smaller Cos Inv, Fenchurch Exchange, 8, Fenchurch Place, E.C., 12.00
Golden Land Invs, Foxglove House, 166, Piccadilly, W., 11.30
Heath (C.E.), 133, Houndsditch, E.C., 10.00
Yorkshire Food, 146, Cleckheaton Road, *Bradford, 12.00*
BOARD MEETINGS:
Interims:
Anglo & Overseas
BPB Hldgs
Corporate Services
Greggs
Lloyds TSB
RPS Group

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Treasury Services, 10% Bds. 2003 L500,000
Australia (Commonwealth of) 13.5% 2010 £6.75
Bass 6.3p
Britannia Bldg. Soc. Sub. FRN. 2005 *£17,919.52*
British Energy 9.1p
British Gas Intl. 8½% Treasury Ln. 2000 £4.25
Canadian Imperial Bank of Commerce C$0.25
Co-operative Bank Sub. FRN. 2000 £83.36
Danka Business Systems 1.3p
Dentmaster Hldgs. 0.09p
Export-Import Bank Of Japan 2⅞% Gtd. Bds. 2005 Y287,500
Financial Receivables for Securitised Transactions No.2 Mezz. Asst. FRN. 2005 *£2,191.25*
Do. Sen. Asst. FRN. 2005 £738.08
Financial Receivables for Securitised Transactions No.3 Mezz. Asst. FRN. 2016 £2,004.26
Do. Sen. Asst. FRN. 2016 £952.11
Gerrard Grp. 8p
Greencore Grp. Ir2.6p
Hitachi Credit Corp. 5½% Nts. 1998 $55
Hydro-Quebec FRN. 2002 $281.43
Ideal Hardware 8p
King & Shaxson Hldgs. 3.5% Cm. Ptg. 3.15p
Do. 5% Cm. 2nd. Pf. 1.75p
Mitsubishi Chemical Corp. 4.15% Nts. 1997 Y4,150,000
Morgan Stanley Equity Pf. Eq. 8.61p
Murray European Inv. Tst. 0.45p
Nichimen Corp. 4.75% Nts. 1998 Y475,000
Portsmouth & Sunderland Newspapers 1.61p
Premier Farnell Conv. Rd. Pf. $0.675
Do. Conv. Rd. Pf. 44.6p
State Electricity Commission of Victoria 9⅝% Gtd. 1999 A$92.50
Toyobo Co. FRN. 1998 Y21,387

■ TOMORROW
Bank Of Montreal FRN. 1998 $291.61
Bank of Nova Scotia C$0.37
City of London PR Grp. 3.9p
Critchley Grp. 8.5p
Delancey Estates 1.55p
Ireland Residential Sec. Home. Mort. Class A Mort. FRN. 2025 IR1,570.68
Do. Class B Mort. FRN. 2025 IR1,847.97
Lowe Grp. 74p
Mid Kent Hldgs. 18p
Nissho Iwai Corp. 4.45% Bds. 1997 Y445,000
Do. 4.7% Bds. Y470,000
Rolls-Royce Capital 7⅛% Nts. 2003 $71.25
Tie Rack 2.75p
Tokyo Electric Power Co. 6.125% Nts. 2003 $306.25

■ WEDNESDAY JULY 30
A. de Gruchy Hldgs. 5p
CPL AROMAS 2.9p
Gold Fields Coal R0.60
Ireland (Republic of) 8¼% Cap. 2008 IR4.125
Mcleod Russel Hldgs. 3p
Montanaro UK Smaller Co. Invst. Tst. 0.9p
Old mtl. 0.1p
Rolls-Royce 11⅝% Nts. 1998 £116.25
Unidare IR4.6p

■ THURSDAY JULY 31
Acer 4% Bds. 2001 $400
Arllow Streamlines 10% Cm. Pf. 5p
Allied Domecq Non-Cm Pf. $0.69375
Do. Sub. Cap FRN. $162.92
Atlantic Metropolitan 12% Conv. Unsec. Ln. 1991/97 £4.010958
Britannia Bldg. Soc. 13% £65
British Airways 10.8p
British Petroleum Co. 8% Cm. Pf. 2.8p
Do. 9% Cm. Pf. 3.15p
Canadian Imperial Bank of Commerce FR. Debs. 2084 $298.52
Chase Manhattan Corp. $0.62
Charring Grp. 2p
Compagnie de Participations Fins. DM0.35
Courtaulds 11.65p
Crown Leisure 0.75p
Dartmoor Invs. Tst. 3.6p
Derwent Valley Hldgs. 10⅛% Mort. Db. 2019 £5.0625
Dixons Grp. Conv. Cm. Rd. Pf. 2.5p
Dunvat Invs. Tst. 0.48p
Dunedin Smaller Co. Invs. Tst. Deb. 2022 £4.1875
Dwyer Estates 0.6p
Edinburgh Income Tst. 1p
Elcos 8.25% Conv. Bds. 2002 $165.75
English & Scottish Investors 8.25% Db. 2023 £4.125
Do. 11% Db. 2014 £5.50
First Hydro Finance 9% Gtd. Bds. 2021 4.5p
Framlington Dual Tst. 1.75p
Gall Thomson Environmental 1.25p
Gartmore Irish Smaller Companies Invs. 0.2p
Granada Grp. 7.5p Conv. Pf. 3.75p
Grand Metropolitan 6.5% Conv. Nts. 2000 $325
Haslemere Estates 10½% Mort. Db. 2016 £5.25
Hemingway Props 10.375% Mort. Db. 2023 £5.1875
Do. 7.5% Conv. Unsec. Ln. 2027 £3.75
Henderson High Income Tst. 1.65p
Hicking Pentecost 5p
Highland Distilleries Co. 5.75% Conv. Sub. Bds. 2008 2.875p
Homeloans (No.1) Class A1 Mort. FRN. 2030 £126.87
Do. Mezz. Mort. FRN. 2030 £185.58
Homeloans (No 3) A1 Mort FRN. 2028 £100.11
Do. Class A2 FRN. 2028 £169.84
Do. Class B Mort. FRN. 2028 £174.23
Do. Class C Mort FRN. 2028 £185.58
HSBC Hldgs. 11.69% Sub. Bds. 2002 11.69p
Hyder 7.875% Cm. Rd. Pf. 3.9375p
Ireland (Republic of) 14½% Ln. 2016 £7.25
International greetings 4.5p
INVESCO Asia Tst. 0.65p
Italy (Republic of) FRN. 1997 $301.57
Jasmin Conv. Unsec. Ln. 1999 73.6301
Jupiter Split Tst. 3.82p
Do. Units £1.54p
Land Secs. 10% Mort. Db. 2030 £5
Do. 9⅜% Conv. Bds. 2004 £234.375
Do. 10⅝% Ex. Bds. 2004 £537.50
Leeds & Holbeck Bldg. Soc. 13⅜% Perm. Int. £66.875
Legal & General Recovery Invs. Tst. 0.8p
Liberty 6% Cm. Pf. 2.1p
Do. 9.5% Cm. Pf. 4.75p
London Clubs Intl. 8.625p
Lowe's Cos. Inc. $0.055
Lynton 10.25% Mort. Db. 2017 £5.125
Malaysia 10¾% Ln. 2009 £5.375
McKechnie 6% Cm. Pf. 2.1p
Merrill Lynch Europe £45
Microtek Intl. 3.5% Bds. 2001 $350
National Australia Bank FRN. $300.10
National Power 19p
New City & Commercial Invs. Tst. Db. 2009 £2.7952
Northern Counties Housing Ass. 9⅜% Gtd. 2025 £4.6825
Paragon Grp. of Companies 1.2p
Peabody Donation Fund (The Governors of) 10.25% Mort. Deb. 2018 £5.125
Powell Duffryn 17p
Pressac Hldgs. 10.5% Cm. Pf. 5.25p
Prestwick Hldgs. 7¼% Conv. Cm. Rd. Pf. 3.625p
Protean 5p
Ptarmigan Intl. Cap. Tst. 5½% Sub. Conv. Bds. 2009 £61.25
Rank Grp. 4.125p
Rebus Grp. 1.2p
Renaissance US Growth & Income Tst. 1.25p
Residential Property Secs. No.4 Class A1 FRN. 2023 £808.47
Do. Class A2 FRN. 2023 £1,710.92
Do. Class A3 FRN. 2023 £1,630.24
Royal Bank Of Canada FR. Debs. 2005 $48.51
Saint-Gobain (Cie de) FFr23.50
Schroder Income Growth Fund 1.06p
Schroder UK Growth Fund 1.8p
Scottish Eastern Invs. Tst. 8½% Db. 2024 *£4.25*
Do. 9¾% Db. 2020 £4.875
Do. 12⅜% Db. 2012 £6.1875
Scottish & Newcastle 7% Conv. Cm. 3.5p
Second St. David's Invst. Tst. 3p
Seton Healthcare 6.1p
Shires Income 4.3p
Skipton Bldg. Soc. 12⅞% Perm. Int. £64.375
Smith & Nephew 5½% Cm. Pf. 1.925p
S & U 31.5% Cm. Pf. 1.96875p
Temple Bar Invst. Tst. 7% Cm. Pf. 2.45p
Tesco 4% Unsec. 2006 £2
Throgmorton Tst. 7¼% Cm. Pf. 2.5375p
TMC P.I.M.B.S. First Financing £170.34
TMC P.I.M.B.S. Fourth Financing 2029 £60.12
TMC P.I.M.B.S. Sixth Financing 2028 £41.11
TMC P.I.M.B.S. Third Financing 2029 £172.11
Tor Invs. Tst. 11p
Toronto-Dominion Bank C$0.28
Transamerica $0.50
Transport Development Grp. 12½% Unsec. 2008 £6.25
Trans-Tokyo Bay Highway Corp 8½% Db. 2021 £4.25
Triad Grp. 2p
Trinity Hldgs. 6.1p
TT Grp. 10.875% Conv. Cm. Rd. Pf. 2.741p
Tung Ho Steel Enterprise Corp. 4% Bds. 2001 $400
University of Lancaster 9⅞% Mort. Db. 2025 £2.4375
USF & Corp. $0.07
Victrex 1.6p
Wace Grp. 8% Conv. 4p
Waterford Foods 7.9% Cm. Rd. Pf. IR3.95p
Do. 9% Cm. Rd. Pf. IR4.5p
Do. 9.9% Cm. Rd. Pf. IR4.95p
Wells Fargo Sub. FRN. 2000 $80.08
Whitbread 11⅝% Db. 2011 £5.8125
Widnet 7% Cm. Pf. 2.45p
Woolwich Bldg. Soc. FRN. 1998 £167.93
WS Atkins 4.68p

■ FRIDAY AUGUST 1
Aberdeen Corp. 12.5p
Allied London Props 10% Cm. Pf. 5p
Alvis 1.25p
Ameritech Corp. $0.565
Archimedes Invs. Tst. 12p
AT & T $0.33
BBA Grp. 5% Cm. Pf. 1.75p
Bell Atlantic $0.74
Bellsouth Corp. $0.36
BLP Grp. Conv. Cm. Rd. Pf. 4p
BOC Grp. 14.5p
BP America 10⅞% Gtd. Bds. 2001 C$108.75
CALA 4% Cm Pf 1.4p
City of New York 6⅜% Ser A Euro Nts 1997 $318.75
Do 6¾% B Euro Nts 1998 $337.50
Do 7% Ser C Euro Nts 1999 $350.0
Do 7⅞% Ser D Euro Nts 2000 $393.75
Do FR Euro Nts 1993-2002 $158.73
Dalgety 4.85% Cm Pf 2.425p
Dudley 7% Ln 2019 £3.50
Dunedin Inc Grwth Inv Tst 3½% Cm Pf £1.75
EMAP 8.7p
East Surrey 7.2p
Edinburgh US Tracker Tst *5% Cm Pf £1.75*
Ensor 0.3p
Fenner 1.8p
Fleming Mercantile Inv Tst 2p
Do 2.8% Cm Pf 1.4p
Do 3.5% Cm Pf 1.75p
Hill Hire 2.67p
Jarvis 4p
Jenners Princes Street Edinburgh 10% Cm Pf 5p
Law Debenture 3.85% Cm Pf 1.925p
Lewis (J) 5% Cm 1st Pf 1.75p
Do 7% Cm Pf 2.45p
Lincoln National $0.49
London Indl 10.5p
Lynx 0.5p
M & G Second Dual Tst 12.75p
Manchester 3% 1891 Rd £1.50
Marks & Spencer 9.7p
Merchant Retail 0.25p
Merchants Tst 3.65% Cm Pf 1.825p
Metropolitan Water New River 3% Db £1.50
Moorepay 0.95p
Morrison Construction 3.5p
Norcros 1p
Northumbrian Water 4¼% Rd Db 2012 £2.125
Do 5¼% Rd Db 2012 £2.625
Do 12% Rd Db 2004 £6.0
Nursing Home Properties 1.5p
Nynex $0.59
Pall $0.14
RCO 4.95p
Rowe Evans Invs 2p
SBC Comms $0.4475
Shell 7% Cm 2nd Pf 2.45p
Southnews 5.5p
Stoddard Sekers 0.375p
Tried 2p
WT Foods 1p
Walker Greenbank Cv Pf 3.25p
Watson & Philip 5.7p
Weeks 0.06p
Whitbread 4½% 2nd Cm Pf 1.575p
Witan Inv 2.7% Cm Pf 1.35p
Young & Co's Brewery 4.2% Cm Pf 2.1p
Do 9% Cm Pf 4.5p

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MANAGEMENT

Vanessa Houlder assesses the growing strategic role played by loyalty schemes

A blossoming relationship

For most people, the idea of having a relationship with a large company seems patently absurd. But "relationship marketing" – whereby companies know enough about their customers to differentiate between them – is having a profound impact on many industries.

The technique, which was first embraced by the airline industry in the early 1980s and later taken up by the telecommunications and financial services industries, is now making headway in the retailing sector. Over the past few years, a plethora of loyalty schemes have been launched in the US and UK in which retailers have tried to woo customers with promises of better treatment, discounts and perks.

For example, Tesco, which rolled out the first large retailing loyalty scheme in the UK, provides card holders with certain benefits, as well as discounts linked to their total spending. It analyses the shopping habits of its customers, so that it can add personalised discount vouchers to its mailings. It has also developed five versions of its Clubcard magazines for different age groups and types of family.

By analysing the shopping habits of high-spending customers, Tesco is able to invite them to specific events such as cheese and wine tastings or hairdressing demonstrations.

Such schemes are manifestly successful in giving customers a warm feeling about a company and its products. But sceptics point out that pioneers of loyalty cards are invariably followed by others. Nearly a third of retailing customers have more than one loyalty card and remain intent on shopping around, according to one study. Ultimately, the critics argue, relationship marketing will turn out to be a zero sum game.

This unease about schemes' profitability may prove justified in some cases. But champions of relationship marketing argue that, correctly implemented, it can have a profound strategic impact on businesses.

"Using information has transformed the way companies do business and are organised and has led to very different relationships with their customers," according to the Boston Consulting Group, in a recently published study on "Knowing your customer" for the Coca-Cola Retailing Research Group.

Mercer Management Consulting, another strategic consultancy, agrees. It argues that, properly implemented, customer relationship management can provide "fundamentally new bases of competition", that can determine new winners and losers within an industry.

For example, it cites the experience of a credit card company that increased its overall profitability by 15 per cent by tailoring its offer to individual customers, instead of making a single offer to all its customers. Other examples include a car manufacturer that increased its customers' repurchase rate by 60 per cent and an on-line service provider that was able to reduce the number of customers leaving it in a particular period by one-third.

Behind all these examples was the ability to analyse customer information, so that different groups of customers could be targetted in different ways. For example, detailed analysis of customer data makes it possible to identify which types of customers are more profitable and so, in effect, cross-subsidise others. The company that goes out of its way to attract these profitable customers is likely to prosper at the expense of its competitors which are left with the less attractive customers.

One example of this phenomenon was the US credit card market, where new players such as Capital One and MBNA were able to take the most profitable customers from the big banks, which saw a sharp fall in their profitability.

As well as identifying customers who can be wooed with better offers, a careful analysis of customer data may identify customers who are less price sensitive than others. Mercer cites one insurance company that increased revenues by 7 per cent, at no extra cost, without losing market share, by focusing on particular types of customers.

Another benefit from skilful customer relationship management is its impact on customer retention. Analysts at Bain & Co, management consultants, found that a 5 per cent increase in customer retention could significantly lift profitability – ranging from 25 per cent in bank deposits to 85 per cent in car servicing.

But even if companies recognise the potential impact of using their customer information, few companies are yet making full use of their data. BCG identifies three stages in companies' use of customer information and points out that the more sophisticated applications take many years to realise.

In the first phase, companies start to do mass marketing, usually with loyalty programmes and simple direct marketing initiatives such as newsletters.

In the second phase, loyalty programmes become more sophisticated, with differentiated pricing and communications for different customers. In the third phase, the company reorganises itself around customer segments, tailoring products, services, pricing and communication to each segment.

The companies that are most advanced in relationship marketing are, by and large, those that find it easiest to implement and have the most to gain. BCG points out that airlines, telecoms providers and banks have an inbuilt advantage because they know who their customers are. Retailers, by contrast, have to build a database at a cost that can be as much as 1 per cent of sales in information technology costs and incentives for customers to take part in the scheme.

Despite the hurdles, BCG argues that the first results of retailers' attempts to use information are encouraging, citing a survey of 10 US-based retailers which showed margin gains of between 1 and 2 per cent.

But most commentators agree that some companies are paying insufficient attention to getting real value out of their customer data. Fiona Stewart of the Henley Centre, the UK research group, is concerned that companies are using loyalty schemes as a "cynical add-on", rather than as a tool to improve their service.

"I think there will be a huge amount of cash wasted" says Simon Hay, client services director of DunnHumby Associates, an agency that analyses relationship marketing data for Tesco and other companies.

Experts like Hay argue that the success of relationship marketing depends on the whole business adopting a customer-focused approach. The point is that successful relationship management is not just a matter of database analysis to be left to a manager in the marketing department. Only if it starts with a mandate from the top of the organisation can it change the way in which a company competes.

Getting personal

Who owns the data that is being accumulated on individuals' spending habits: the customer or the company?

The sensitivity of this issue was highlighted recently when the UK's Data Protection Registrar received a rash of complaints after Tesco asked its customers if they objected to its using loyalty scheme data to target them with third-party offers.

Customers are beginning to expect greater rewards for handing over information about themselves, according to research by the Future Foundation, a research group. "The consumer should be in a more powerful position," says Melanie Howard, a founder.

The same point was raised in an article in January's Harvard Business Review by John Hagel and Jeffrey Rayport. "Consumers are realising that they get very little in exchange for the information they divulge so freely through their commercial transactions and survey responses," they said.

They argue that new technologies such as smart cards, worldwide web browsers and personal financial management software are allowing consumers to collect profiles of their commercial activities – and to choose whether or not to release that information to companies.

They suggest that because consumers will be unlikely to bargain with vendors on their own, companies called "infomediaries" will broker information to businesses on consumers' behalf.

One example of an information broker is Request, a recently launched company that matches information provided by consumers about themselves and their needs with information from companies about what they can offer.

Barry Hill, a former American Express executive who co-founded Request, argues that as the European Union's data protection rules become more stringent, the onus will fall on companies to find ways in which potential customers can identify themselves. Request illustrated its approach earlier this year, when it organised a newspaper promotion on behalf of a group of financial services companies. The readers who responded to the offer were asked if they wanted a quotation for a mortgage or building insurance. Those who agreed could then be sent information, which was likely to yield a much better-than-average response rate.

This is just one of several possible ways in which the use of customer information could change. As yet, there is no consensus about how and when this will happen – although there is growing conviction that consumers will take control of information about themselves. As Howard puts it: "It is just a question of time until the consumer wakes up."

VH

Uppa

[illegible] complementary skills

PARTNERS

Topps Tiles

[illegible]

"…necks?" but we needed the challenge. Once you've floated, you're under pressure to clear the decks and get on with it. The hardest part was the pre-float presentations. Barry had to adapt his style somewhat. Hammering home a message was great for selling tiles but the City needed to hear something a little more sophisticated."

Barry: "At the start we had one tiny shop in Catford. Stuart and I would often unload 20 tonnes of tiles by hand yet there was never any guarantee that the customers would like the designs. We once bought 15 tonnes of red tiles because our Spanish manufacturer said their customers were into red. Unfortunately, no one in the UK wanted 6 by 8 in red tiles so we were left with a lot of stock.

"You can spend £10,000 on a new kitchen and ruin it by horrid tiles; conversely you can transform a modest kitchen with good tiles. It sounds corny, but I love women customers because they spend time choosing the designs; men are more price conscious. I've always been happy looking after the retail side, whereas Stuart's background is accountancy so he's far happier sitting in the office dealing with staff suggestions.

"His latest idea is an award scheme for good ideas, anything from £5 to £1,500.

"Over the years he's taught me to be more diplomatic. I remember once, in my naivety, wanting to sack the entire staff of one store. Stuart sat me down and said, 'I know things aren't right, but it's better to have a pair of shoes with a hole in them, than no shoes at all.' He made me think about the consequences which is something I try to instil in my managers today."

Fiona Lafferty

Pity the American as the holidays loom large

Lucy Kellaway

It is the time of year to congratulate oneself on being European. We in Europe understand holidays. We take them; we enjoy them. In the US, by contrast, they just can't get the point at all. Never mind the fact that businesses over there claim to be worried about stress and pretend to think that employees need balance in their lives. When it comes down to it, they just can't bring themselves to spend any time away from the office.

According to the Wall Street Journal, most senior US executives are unlikely to take more than a couple of days break this summer. And even then they are keeping quiet about it, for fear that they might set a bad example to their underlings. The head of Estee Lauder is planning to take a long weekend walking in Aspen, and will let his staff know of his whereabouts at every second of the day, so he will never be out of touch. The head of Random House is going to his swanky beach house for his annual break of a few days. And when he gets there he plans to relax by catching up on a few book proposals.

This kind of thing is both sick and sad. What will these men do when they retire if they have never had a second's real leisure in their lives? I pity their families and I pity their employees. If the head man insists on these workaholic ways, what hope for anyone else leading anything resembling a normal, healthy life?

As for me, I have been invited to spend two days of my holiday in the Lake District scrambling across a gorge, biking over mountains, jumping off a 200ft high cliff and then leaping from a 40ft pole to a distant trapeze. For I have been asked to sample The Eclipse Gripper! – the latest in corporate team-building exercises.

Quite how travelling along a zip wire is meant to improve a team's performance has never been clear to me. Work is not about surviving together under terrifying conditions when you are wet and cold. It is about surviving when doing fairly predictable, often mundane tasks. There is only one part of the course that strikes me as even remotely useful. That is preparing a full English breakfast. Any group that can get all its sausages, tomatoes, eggs, bacon and mushrooms cooked to perfection at the same time and simultaneously make coffee and toast and agree on who is going to do the washing up is well on the way to being a terrific team.

Fortunately for me, I have plenty of opportunity to practise this sort of team building activity at home. So I can turn down the The Eclipse Gripper! without guilt and spend my holiday doing as little as possible.

Who would you like to have a One 2 One with? The question is asked every day on LBC radio by the digital phone company and every day the answer comes back the same: your One 2 One for the day is going to be with Archie Norman. This unvaried diet may be unpalatable to some; but whatever you think of the chairman of Asda and Tory MP, you have to admire his nerve. Not only has he turned around the troubled grocer and is helping William Hague do something with the pitiful remains of the Tory party. But now, thanks to One 2 One, he is also solving the country's business problems in little slots of less than a minute.

"Is it worth taking a bad debtor to court?" asks a caller one day. "That's a tough one", he replies, and then recommends that the caller weigh up the pros and cons before acting. Another day he is asked how to deal with a customer complaint, and offers the novel advice that a company must listen, apologise and attempt to rectify the problem as quickly as possible.

Thank you Archie. It is good to be reminded that business is that easy.

Rosabeth Moss Kanter has been banging on about the softer side of management for well over a decade. Empowerment, the importance of being nice to your employees and all the rest of it. Last week she sought to explain to the FT how it was that while practically everyone now pays lip service to her ideas, practically no one lives by them. One possible reason, she said, could be that many of us at some point in our lives may be short-sighted, territorial and adverse to change.

Ms Kanter's optimism is quite something. Most of us are not like this intermittently, but all the time. It is the human condition. Any management theory that forgets that we are all jealous, we hate change and prefer jam today is likely to remain more talked about than acted upon for eternity.

BUSINESS EDUCATION

Demand is growing for business schools to offer finance degrees, says **Della Bradshaw**

Bankers go back to school

On March 13 this year a group of students at London Business School were set the task of predicting what the share price of a chosen company would be nearly four months later, on June 30.

They chose the sugar group Tate & Lyle and calculated that the price would be 447p.

On the day it was 446½p.

This is just one of the many activities which comprise London Business School's Masters in Finance course. Needless to say, this particular group won the exercise, pushing into second place the team that had chosen to predict the Marks & Spencer share price – they were out by 1p.

While the dream of many a prospective MBA student is to enter the course an engineer and to graduate an investment banker, many would-be students who are already in banking and finance want to go back to the same sector after graduation. For them, an MBA is unlikely to be the best route.

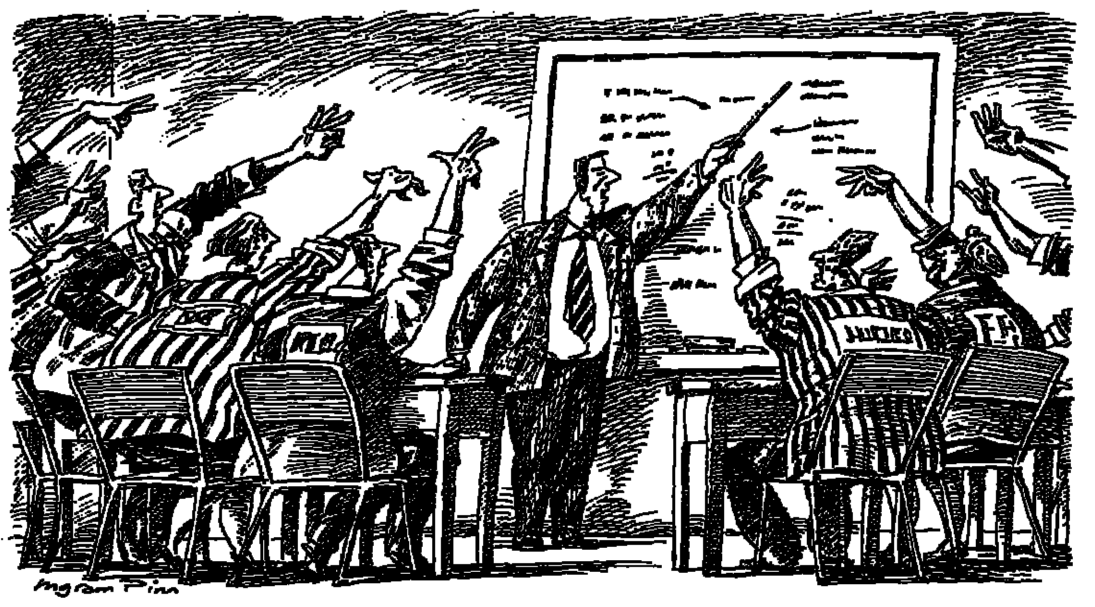
While most business schools offer short programmes in financial management, a growing number, notably in the UK, are now offering degree courses to cater for such needs. From this autumn, London's City University will offer a one-year, full-time MSc course in finance, intended for those with a few years experience in the finance sector or a relevant first degree – City already runs four joint masters degrees in finance and related topics.

And the Imperial College Management School in London and the Bristol Business School will offer masters courses for non-financial specialists who want to move into the financial sector.

In the US, the Stern School at New York University offers a two-year, part-time Masters in Finance programme, similar to the LBS one. As with the LBS course, most participants at Stern are company-sponsored. Carnegie Mellon has a more specialised course in financial engineering while the Sloan School at MIT delivers an MBA course in which the second year specialises in finance.

The LBS Masters in Finance – known affectionately at LBS as Mif – was started four years ago. Paul Marsh, a Mif professor, believes the course is designed for those who want to stay in finance for five years after completing the course.

Finance courses mean putting all you eggs in the same basket, and therefore are not for the undecided. "If people ask should I do an MBA or Mif, I say do an MBA," says Marsh.



The LBS course is a nine-month specialist programme. (There is a two-year part-time option.) Participants study four core subjects, choose five electives and complete a project.

One of the most popular electives has been the field trip: last year participants went to New York and visited banks, companies and politicians. (Students on the 1997/8 programme will repeat the visit.)

While Mif is far more selective than LBS's two-year MBA course in the subjects it teaches, the teaching method is much the same. And while the course seems very specialised to those outside the financial sector, participants always describe it as a broadening experience, says Marsh. Janet Dobson, who runs the office for finance programmes, says students talk about their course using exactly the same language as MBAs.

The comparative rarity of such courses has made Mif attractive to non-UK students. While the part-timers are usually based in London, 80 per cent of participants on the full-time programme, who have an average age of 28 or 29 and have five years work experience, are from outside the UK. Between 35 and 40 per cent of those on the full-time programme stay in the UK after graduation.

International interviews

Students in Arizona are using phone technology to get jobs

TECHNOLOGY

Most business schools introduce videoconferencing technology to deliver distance learning. Such was the aim at Thunderbird, the American graduate school of international management in Glendale, Arizona.

But the students there had ideas of their own. They have started using one of the school's three videoconferencing systems to conduct job interviews.

The move began earlier this year when a German company wanted to interview three Thunderbird students in a hurry. The arrangements were made on Thursday and the interviews were conducted the following Monday. One student was offered a job.

Interviews have been conducted between Thunderbird students – and Thunderbird alumni who can also book to use the system – and companies in countries as far afield as Japan and Mexico. With between 300 and 400 students graduating each term from the school the demand is growing rapidly.

Students now find using the videoconferencing system as commonplace as using the phone, says Carl Chapman, director of instructional technology. The school is offering training in how students can best sell themselves using the technology and they become rapidly proficient.

"The difficulty is that everyone believes it will be difficult," says Chapman. In reality students have found they need just 15 to 20 minutes practice, with a peer interviewing them from an adjacent room, to master the skills.

The big advantage for Thunderbird is that prospective employees who would not visit the campus in Arizona now have access to graduating students. Indeed, one company, says Chapman, has been so impressed with the students that they have interviewed electronically that they have now decided to recruit on campus in future.

DB

BUSINESS TRAVEL

Travel Update · Roger Bray

Hope on US tax

Glimmers of compromise have emerged over threatened new taxes on flights to and within the US. Two separate proposals from Congress could add an extra $25 (£15) to the cost of a transatlantic round-trip and 10 per cent to the US domestic *segment of* international services. This has angered the National Business Travel Association, whose 2,000 members include travel managers at many of the US's biggest companies. Its president, Judie Shyman, says it is "incredible that Congress seeks to pick the pockets of business travellers". The NBTA says there are now signs that Congress might agree to something less painful, reducing the additional burden on international travellers to $14 and withdrawing the 10 per cent threat.

Thieving police

Thieves posing as policemen have been a problem in Romania for some time. Now the genuine variety is a hazard, too. The UK Foreign Office warns they have been inventing traffic offences and demanding hard currency fines. So far, it says, incidents have involved foreign-registered vehicles. But there is a danger that rental cars could be next.

Fog navigator

When fog descends, some air travellers are more equal than others. Those flying to *leading airports on aircraft* with the most sophisticated navigation equipment are most likely to avoid disruption. The rest face cancellations, delays and diversions. For customers of Switzerland's Crossair, the odds against arriving on time look less daunting. The airline is fitting its 25 Saab 2000 turboprops with a head-up guidance system of the kind developed for military jet aircraft. Crossair says this is the first time safety authorities have approved its use on turboprops. It will enable the aircraft to land in all but the thickest pea-soupers.

Hotels revamped

The Westin hotel chain has taken over management of two German hotels – the Grand in Berlin and the Bellevue in Dresden. Both are to be fully refurbished at a cost of $10m (£5.9m) and $20m respectively. The Grand is on the corner of Unter den Linden and Friedrichstrasse.

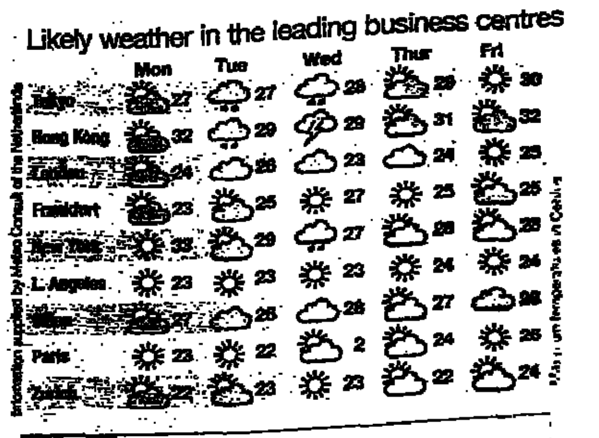
Lisbon set fair

Lisbon could be a cheap place to do business for most of next year. Consultants Pannell Kerr Foster expect 12 new hotels to open in time for the Expo trade fair, which opens next May. Developments already *announced include the* 220-room Carlton Palacio and a 327-room extension at the five star Tivoli Lisboa. This suggests that while hoteliers will benefit from heavy demand in summer, there will be over-capacity and intense price competition when the fair closes in September. Room price increases there have hardly soared recently. Last year the average rate customers paid – as opposed to that advertised – rose by less than 1 per cent against the previous year's figure.

Surf Qantas

Up-to-the-minute information on Qantas *flights – with details of* problems such as delays or diversions – is available on a new web site (http: // www.qantas.com.au.). Members of the airline's Frequent Flyers scheme can enter their membership and security numbers to find out their points totals.

Likely weather in the leading business centres



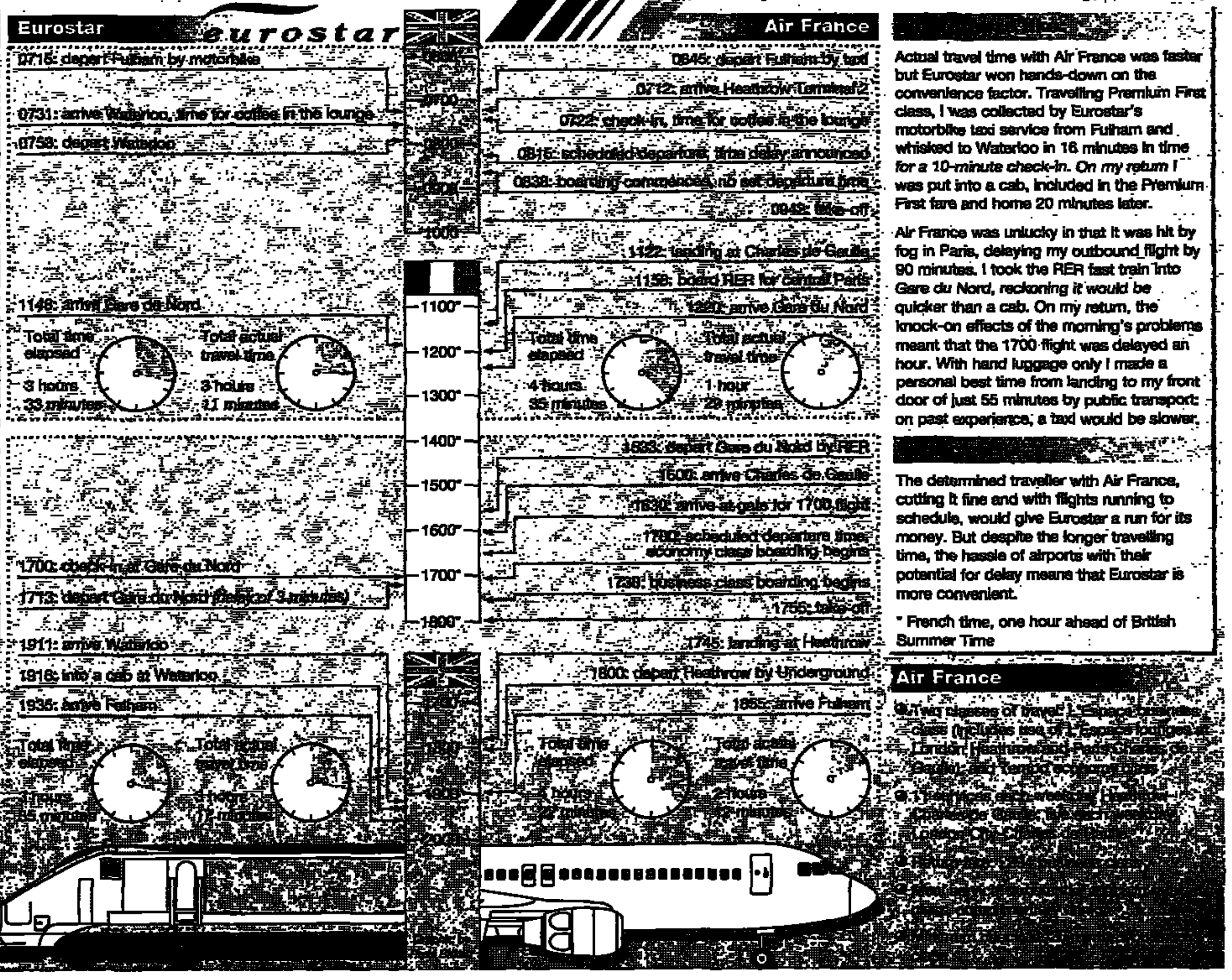
London to Paris: train v plane

Kate Bevan reports

To find out which is the faster and more civilised way to have a day-trip to Paris from London. Since the launch of the Eurostar, the management of the service has been taken over by London & Continental Railways, a consortium including Richard Branson's Virgin empire. The service was curtailed last year after the fire in the Channel tunnel, operated by Eurotunnel, and a full timetable was restored in June.

To measure the time spent travelling from my home in Fulham, west London, to Gare du Nord in Paris, a suitably central point, and back to Fulham the same day. I took the 0753 Eurostar from Waterloo International, and returned on the 1710 Eurostar. Then I flew on Air France's 0815 service from London Heathrow to Charles de Gaulle airport, returning on its 1700 flight.

Air France total actual travelling time from Fulham to Gare du Nord was 1 hour 29 minutes on the outbound journey, and 2 hours 12 minutes on the return. Eurostar's travelling time to Gare du Nord was 3 hours 11 minutes outbound, and 3 hours 17 minutes on the return.



Actual travel time with Air France was faster but Eurostar won hands-down on the convenience factor. Travelling Premium First class, I was collected by Eurostar's motorbike taxi service from Fulham and whisked to Waterloo in 16 minutes in time *for a 10-minute check-in. On my return* I was put into a cab, included in the Premium First fare and home 20 minutes later.

Air France was unlucky in that it was hit by fog in Paris, delaying my outbound flight by 90 minutes. I took the RER fast train into Gare du Nord, *reckoning it would be* quicker than a cab. On my return, the knock-on effects of the morning's problems meant that the 1700 flight was delayed an hour. With hand luggage only I made a personal best time from landing to my front door of just 55 minutes by public transport: on past experience, a taxi would be slower.

The determined traveller with Air France, cutting it fine and with flights running to schedule, would give Eurostar a run for its money. But despite the longer travelling time, the hassle of airports with their potential for delay means that Eurostar is more convenient.

* French time, one hour ahead of British Summer Time

Eurostar

Air France

On the road to virtue

Business travellers are a virtuous lot. They work lon*ger hours on the road than* in the office and if they eat less healthy food, they work it off in hotel health clubs, a survey indicates.

For most of them, travelling for the company is not such a sacrifice. More than one-third say it makes them feel important, two-thirds welcome it as a break from routine and 94 per cent return with a sense of achievement.

In spite of the flight delays and missing bags, a mere one in 20 found travel very stressful and only 16 per cent would be unequivocally happy to give up trips if doing so did not harm their careers.

This latest look at the way flying executives think and react comes from the Hyatt Hotels chain, which commissioned a survey of 500 male and female executives in the US and Canada.

Though they spend most of their time stuck at airports or in meetings, three-quarters said they enjoyed trips because of the opportunity to see new places.

One result of this survey is *that Hyatt will reconsider its* policy towards "fine dining" restaurants at its US hotels. Craig Parsons, international sales vice-president, says what most surprised him about the results was the extent to which business travellers enjoyed good eating while away from home.

The taste for finer things is not the result of expenses beneficence by North American companies. Almost four out of five of those questioned said that in spite of recovery from recession their companies had not loosened the reins.

The family loomed large in answers about the main sources of stress while travelling. Half of those questioned fret about not being at home to protect partners or children, and even more worry about missing birthdays and anniversaries.

Modern communications are a mixed blessing, it seems, with nearly one-third uneasy at being connected electronically to the office round the clock.

But overwhelmingly the greatest cause of anxiety is the work waiting to be done back at base.

Women suffer greater stress – and not just because they rarely trust husbands to look after children and home. They feel they are under heavier pressure than male counterparts to succeed in their missions.

Roger Bray

MARKETING / ADVERTISING / MEDIA

INVESTOR RELATIONS

Enhanced role carries risks

Keeping shareholders informed can have big rewards, says **Alison Smith**

There was a small consolation for National Westminster Bank's investor relations managers last month, when they were runners-up in the crisis management category of the Investor Relations Society awards.

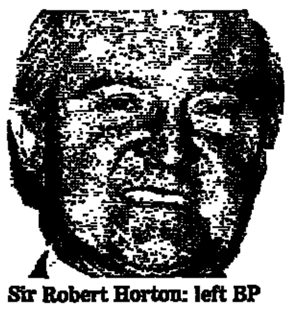
The award was for their handling of the mis-pricing of interest rate options discovered early this year. But they have had fresh challenges since then.

NatWest has faced renewed questions from institutional shareholders about its strategy, and complaints that they have not been kept informed, in spite of the offer from Lord Alexander, NatWest chairman, of holding meetings to clarify the bank's strategy.

The NatWest experience is an example of the increasingly prominent role assumed by investor relations in the past few years in the UK's largest companies.

In some cases, events have forced individual companies to recognise that they must communicate more effectively with institutional investors. For example, Andrew Mills was headhunted to become the first director of investor relations at Kingfisher, the UK retail group, in 1994 when its share price was one of the worst-performing among the UK's 100 largest public companies.


Lord Alexander: offer


Sir Robert Horton: left BP

For British Petroleum, the abrupt departure of Sir Robert Horton as chairman and chief executive and the cut in its dividend in 1992 was the spur.

Peter Hall, BP investor relations manager, recalls being given a clear role in addressing shareholders' concerns. "We went about it by setting a number of financial targets and updating investors with our progress against those targets in successive quarters. We moved from a reactive process, to one which was focused and pro-active," he says.

Beyond such special circumstances, broader forces, which reflect changing attitudes among big shareholders, have been shaping a larger role for investor relations. According to one investor relations expert, the main factors are the concentration of control among the largest investors, the growing importance of corporate governance, which encourages shareholders to take a more active role, and the influence of American institutions which are accustomed to having better information from the companies they own.

Another factor is the growth in the regulatory framework governing communication between companies and their shareholders.

Where companies get it right, there are big rewards. Simon Brocklebank-Fowler, a managing director of Citigate, the corporate and public relations company, believes that good investor relations can improve the valuation of a company by 10 to 15 per cent.

He points to a survey last year by opinion pollster Mori, which suggested that that institutions regarded management as the single most important element in how they valued companies; and that management's handling of communications was more important than its financial performance in their assessment of an organisation.

But the enhanced role for investor relations carries risks. *One is over-elaboration.* While institutions appear to welcome more meetings with executives, if these become too structured, they may defeat the purpose of enabling shareholders to find out what they want to know about their companies and to judge their managements. "Investors prefer question and answer sessions to formal presentations," says one leading corporate broker.

Another danger lies in high expectations of what can be achieved. "Investor relations can't turn a dog into a star," says Brocklebank-Fowler.

Bob Cowell, a partner at Makinson Cowell, a specialist investor relations company, says: "The key role of an investor relations manager or adviser is to try and keep the perception of the marketplace in line with the reality of the business."

If such advisers are to make the most of their enhanced role, they must also keep the perception of their managements in line with the limits to what they can achieve.

MARKETING

BT goes ethnic

Meg Carter on talking to minorities

British Telecommunications has appointed its first *ethnic marketing* consultancy in an attempt to improve communications with Britain's 3.3m ethnic minority population. However, many mainstream brands *are not taking this* area seriously – a costly oversight, ethnic marketing specialists maintain.

Ethnic minorities in the UK account for £13bn of consumer spending, says ethnic specialist Mediareach Advertising, the consultancy working with BT. However, many feel ignored by mainstream brands, says managing director Saad Saraf.

"Few companies think to develop ethnically-targeted campaigns and those that do, all too often play safe, avoiding certain images and relying on text rather than trying to understand the market and make relevant or topical references," he says.

Ethnic marketing is not just about translating an advertisement into Hindi or Cantonese. Understanding the language and the way of life is a prerequisite, says Sharif Choudhury, managing director of consultancy Trans-Cultural Marketing & Management. "You always has to look at marketing from a cultural perspective."

This might mean creating an advertisement dedicated to a particular ethnic market, or avoiding advertising in favour of sponsorship or event marketing which, when relevant to a local community, can have more impact.

"Timing of campaigns is another issue. Holidays such *as religious festivals have to* be taken into account," says Choudhury.

It is these concerns that persuaded BT to develop initiatives aimed at the ethnic market. "It is an increasingly important area for us," says Sholto Douglas-Home, BT's head of consumer advertising. "We regularly run reduced-price promotions for different consumers. For any route-specific discount, it makes sense to target the people most likely to make use of it."

BT is running adverts in Cantonese and Hindi and has tailored advertisements to different ethnic groups to promote its price cuts on calls to Hong Kong, Malay*sia, Singapore and South* Africa. A separate initiative involves a help-line offering callers information in Hindi.

"We are monitoring closely what other companies are doing with other ethnic groups, especially in the US where ethnic marketing is far more developed than here," says Emilios Theodosious, BT residential services market manager.

In the US about a quarter of the population is defined as belonging to an ethnic minority – one reason why global advertising network Bozell Worldwide launched a joint venture aimed at the black American market.

Mark Lund, managing director of Delaney Fletcher Bozell in London, is sceptical about the scope for ethnic marketing in Britain where *the minorities make up only* 6 per cent of the population.

"In the UK, economies of scale are stacked against you," he believes. "Local campaigns for particular toi*letries and foods may* be an exception, but generally, it's a costly and tricky affair for a mainstream brand."

However, Seamus O'Farrell, AMV.BBDO account director, believes interest in this area can only grow with increasing ethnic media opportunities and growing use of the internet.

There are many ethnic cable television stations in the UK, including African, Arabic, Indian and Chinese services, he points out.

"These opportunities are allowing all companies to move towards micro-marketing to small groups of individuals rather than just mass audiences. It's the way forward."

Paul Woolmington · Ad Lib

Big is not always so beautiful

Time to break the stranglehold which current thinking about volume has on the media business

Imagine sponsoring a television programme such as *Star Trek* or *Frasier*. Include cross-promotion through a media web site and product placement in a chart-topping movie. Now add direct marketing through Blockbuster video stores' membership lists and a joint innovative research project on youth today. It's a total communications programme planned and negotiated with a single media owner.

The takeovers and deals carried out by large conglomerates such as Time Warner, Viacom and Bertelsmann suggest that they are in a race to become the biggest and offer the widest range of media opportunities.

And the quest for "big is best" is being played out not just among media owners but among businesses *within the advertising* industry.

The advertising world speculates regularly about how WPP, the advertising group, will implement its *reported plans to merge* the media operations of J Walter Thompson and Ogilvy & Mather, the group's two ad agencies, to create buying clout through *sheer size.*

All this raises the question of just how beautiful is big? Many media operations at present seem obsessed with volume buying, where the basis for talking to media owners is to demand a good price because you represent billions of dollars in revenue.

But chanting mantra-like "cost per thousand" to clients can mean that real customers end up playing understudy to the numbers.

Of course, media buying must be carried out on the basis of best value for money. But as our communications world becomes increasingly complex, shouldn't our rallying cry be for talent, superb thinking and seamless marketing strategies?

Today's preoccupation with volume is driving our business to become a mere commodity, where virtually no one wins.

And therein lies the rub. On the one hand, we read endless rhetoric from the most august of chief executives urging advertising agencies to stand firm against the onslaught of competition from management consultants. This implies premium product and brain-power.

On the other hand, these same professionals perpetuate the myth that media operations are simply about the cheapest buy and who *wields* the greatest clout.

It is time to change the debate so that it is no longer a question of cheap communication, but a case of the right communication. Using media to communicate is about harnessing great strategy and a seamless *approach to make an* impact on consumers' minds and hearts. It is about moving people to do things.

Those who merrily con*tinue to bang only the* volume drum are blind to the fact that this approach is not going to satisfy where our business is going.

> The quest for 'big is best' is played out not just among media owners but also media businesses in the advertising industry

That future is one where buying air-time and print space will have a diminished, though still important, role as young adults are reached also by the Web, sports sponsorship, product placement, and direct marketing. Media will not be confined to conventional media available today.

To be effective partners for our clients, we must break the stranglehold which current thinking about volume has on the media business. In this thinking, an advertising strategy starts with the planners and the creatives, and involves media specialists only at a later stage.

We should, instead, harmonise creative content with media context. We need to explore, understand and exploit all forms of new media and communication.

So, I set a challenge to marketing executives. During your next media presentation, judge your agency against this criteria: has a total communications solution been offered; has your media agency truly put the consumer at the centre of the media universe; will this strategy get into the head, the heart and the behaviour of the consumer?

The world is moving and changing faster than the media business has been prepared *to admit*, so tackle the future now.

In the words of one of history's greatest icons, Mae West: "To be big is good, to be good is better, but to be both is best."

The author is Worldwide Media Director of Ammirati Puris Lintas.

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MARKETING / ADVERTISING / MEDIA

TELEVISION

Building a bridge to the digital age

Sir Robin Biggam tells **Raymond Snoddy** of his plans for commercial television in the UK

Until recently Sir Robin Biggam, chairman of the UK's Independent Television Commission, the regulatory body for commercial television, was best known for one nine-month period of his career.

He may have been at Imperial Chemical Industries for 17 years, finance director of ICL, the computer group, before becoming managing director, chief executive and then chairman of BICC, the cable and construction group, but there was also his brief involvement in a plan in the 1980s to span the English Channel with a mixture of bridge and tunnel.

Sir Robin believes it would have worked. The French were enthusiastic and Margaret Thatcher, the then British prime minister, liked the idea. But "the civil servants in the UK were totally and utterly opposed to it because it was too imaginative", says Sir Robin.

He adds that the Channel tunnel took everyone's interest – just like his latest challenge, broadcasting.

"Everybody is aware of the broadcasting industry. It's part of your life," says Sir Robin in his first interview as ITC chairman.

Until January, when he became ITC chairman, Sir Robin had a businessman's viewing habits: *News at Ten* on ITV, followed by *Newsnight* on BBC2.

He confesses, however, to having been in love for many years with Helen Mirren, the star of the *Prime Suspect* detective series.

But less than seven months into the job, and Sir Robin has already had to make two weighty decisions.

The first was the controversial decision to award the main commercial digital terrestrial frequencies to the consortium British Digital Broadcasting. He had first demanded that British Sky Broadcasting, the satellite television group, should leave the consortium while arguing that BSkyB channels, such as Sky Sports, should still be available to BDB.

He insists that the decision to choose BDB rather than the rival Digital Television Network was the right one to give digital terrestrial television the best chance of establishing *itself* alongside digital satellite and digital cable.

"As a business, BDB has probably got a good chance to succeed. Obviously the reason we insisted on Sky-type programmes was that we believed that gave them a greater opportunity to succeed financially," says Sir Robin.

Last week he embarked on his second big project – the consultation process on extending Independent Television licences, which will involve the ITC putting a value on each ITV licence and deciding how much in extra taxes ITV should pay to the government.

Sir Robin Biggam: a Helen Mirren fan

The companies can decide to have renewed 10-year licences running from the beginning of 1999, 2000 or 2001. Those like GMTV, the breakfast station, Yorkshire-Tyne Tees Television and HTV – which all made high bids in 1991 to win their licences – will be anxious to have their payments to the government reduced quickly.

Central and Scottish, which bid £2,000 ($3,340) a year because it guessed correctly it was unopposed in its licence bid, will be holding back to the last moment.

Sir Robin is suggesting that most taxes paid by ITV should be a percentage of advertising and sponsorship revenue, making it easier for ITV should advertising revenue go down.

Last year £155m of the £400m in tax that went to the government was a percentage of advertising revenue while the rest was the fixed bid. The ITC chairman believes that the sum paid by ITV will go down but the canny Scottish accountant will cast a sceptical eye on ITV companies spreading gloom and doom about the future.

"We do observe what is happening in the marketplace in terms of the last three or four bids for ITV companies which puts a fairly high value on those companies. It's going to be an interesting game for the next 12 months," says Sir Robin.

While the shadow-boxing between ITV and the regulator continues, the next 'controversy' is likely to soon follow. Some ITV companies would like to try again to move *News at Ten* to an earlier time – an issue that provoked a political storm the last time it was attempted.

"If they come in and say here is a proposition (to move *News at Ten*) we will look at it. But we have not had any proposition," says Sir Robin.

Sir Robin wants to see a detailed review of the regulation of broadcasting in the UK before a new broadcasting act is introduced in the next two or three years. He would like to see the ITC become the single regulator of content for the broadcasting industry, subsuming the role of the Broadcasting Standards Commission and the regulatory, though not the compliance role, of the BBC governors.

Sir Robin points out that an ITV producer has to comply with two codes. "The whole area needs a fundamental review," he believes.

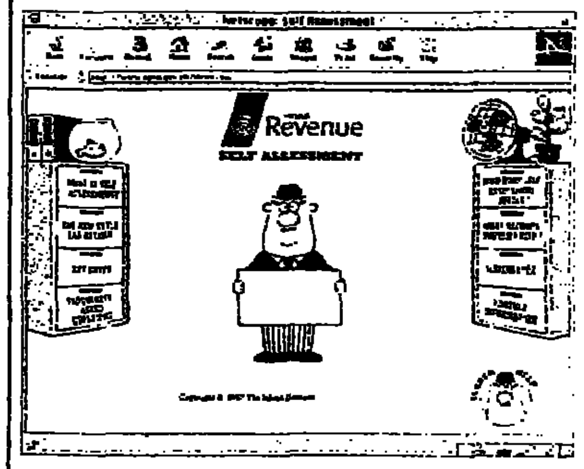
By the end of his five-year term as chairman, Sir Robin believes that the three digital television platforms, satellite, cable and terrestrial, will be established in the UK, although add-on services such as home shopping and banking will be vital to cable and satellite.

Pay-per-view will be more important by then and more sport will have disappeared from terrestrial television "because the rights holders are going to want to negotiate the best possible price".

But Sir Robin, the man who did not quite build a bridge across the Channel, believes that in five years ITV and the BBC will still hold "a strong position in the marketplace as far and away the largest broadcasters, but with some erosion".

Web Site of the Week

Revenue on the Net



If you're the sort of person who spends too much time online, then it's quite likely that you've forgotten about your income tax return.

Then again, it's also possible that you've already filled it in – using one of several specialist software packages which have come on the market since Britain's tax authorities made the move to self-assessment.

In any case, you've already been singled out by the UK government as a target user of the new Inland Revenue web site.

Launching the site (www.*open.gov.uk/inrev/sa*), which is part of a campaign covering press and television, Dawn Primarolo, the financial secretary to the Treasury, said: "Research shows that access to the internet is higher among self-assessment taxpayers than for the general public. This new site is a good way of targeting information in a user-friendly way."

Tax sites on the Net are nothing new – every year as US citizens approach their filing deadline around Easter, a flood of sites appears, offering tips and downloadable software.

Similar sites are springing up in the UK, for example, SmartTax (www.*smarttax.co.uk*) offers a stripped-down version of its tax assessment software.

The Inland Revenue's 500-page site has downloadable versions of each of the forms required in Adobe Acrobat format, as well as a screensaver featuring Hector, its cartoon bowler-hatted tax inspector.

With about 8m people in the UK falling into the self-assessment category, the revenue's site has information specifically tailored for the self-employed, higher-rate taxpayers, employers and tax advisers.

The site, developed by the Central Office of Information and advertising agency DNA Communications, is served from the government's Central Computer and Telecommunications Agency information service web server, so it can deal with heavy demand.

Stephen McGookin

ENHANCED COMPACT DISCS

CDs with a better performance

Alice Rawsthorn on record industry's revived interest

New technologies sometimes have teething troubles, but when the first enhanced compact discs went on sale a few years ago, the technical difficulties were little short of disastrous.

Record companies were flooded with complaints from consumers whose computer processors had crashed while playing one version of the discs, which relay visual images such as film footage and text, as well as music. Others reported cacophonic "white noise" had blasted out of their CD systems.

A new generation of the discs has since been developed which, the manufacturers claim, has overcome these problems. It is fairly common in the US for albums to be released using the new technology, and several acts are now experimenting with it in the UK.

Next week, pop group Suede will release its new single, *Filmstar*, on enhanced CD featuring video clips and film of the band recording its *Coming Up* album. Genesis plans to launch *Congo*, the first single from its forthcoming album, as an enhanced CD in September; and U2 may develop one for *If God Will Send His Angels*, a single due out in November.

Enhanced CDs look like ordinary compact discs, but behave like slightly less sophisticated CD-Roms. Singles and albums only use part of the storage capacity on CDs, and the enhanced format harnesses the rest to relay the visual imagery. On an audio-CD system, an enhanced CD sounds like any other album or single, but when popped into the CD-Rom drive of a multimedia computer, it shows the visuals too.

The first wave of enhanced CDs, then known as CD Plus or Rainbow CD, got off to a shaky start. One obstacle was the technical issue. Another was that stores insisted on selling the discs with CD-Roms and video games, where retail prices and margins are higher than on audio-CDs, making the discs expensive for consumers, and squeezing record companies' profits.

An additional difficulty was the high cost of producing the discs which, although slightly cheaper than CD-Roms, cost from $150,000 upwards if new material was required. Artists needed to invest time and energy in developing the discs, which was difficult when they were locked into onerous composing, recording and touring schedules.

Island Records recouped its investment on the cranberries' *doors and windows*, a Rainbow CD released in 1995, which sold 100,000 copies worldwide. Virgin Records mustered sales of 220,000 for the Rolling Stones' *Stripped* CD Plus album. Yet these are low figures for an industry which expects such acts to sell several million copies of their audio-CD albums. "There's a market for enhanced CDs among techies, and the "completist" fans, who'll buy everything an artist releases," says Marc Marot, managing director of Island Records (UK). "But that market isn't very big, which makes it difficult to justify the time and expense."

The music industry has adopted a more cautious approach in developing the current crop of enhanced CDs. The revival of interest in the format was triggered by a change in the rules regulating the UK singles chart, whereby enhanced CDs became eligible for chart entry.

It is cheaper to release an enhanced CD as a single, rather than an album. And if existing material is used, the production budget can be as low as £3,000, ($5,000) which means the discs will be priced the same as other CD singles. Most of the film footage on Suede's *Filmstar*, for instance, comes from the band's promotional videos.

Even so, the acts behind the new wave of enhanced CDs have opted for the format because they have a strategic reason to do so. Suede wanted to do something special to promote *Filmstar*, the fourth single from the *Coming Up* album, released last autumn. Similarly, *If God Will Send His Angels* will be the fifth release from U2's *Pop*, which has sold 5m copies worldwide. Genesis is anxious to raise its profile before launching its first album with a new lead singer.

If these releases sell well, enhanced CD may well return to favour in the music industry – providing there are no more technical disasters.

Suede: new single released next week on enhanced CD

Tim Jackson

Don't forget time is money

It was a perfect illustration of why computers are so troublesome. On a business trip to the US, I was attempting to deal with e-mail and trying to be too clever. Instead of doing the simple thing – making a short international call from my hotel two or three times a day to download the messages from London and send over my replies – I made the mistake of being too much a technological purist.

Knowing that it ought to be possible to dial into a local internet node in the US, I tried to set up my PC to pick the closest Californian number for my service provider and to use a calling card to connect there.

The result was mayhem. Between the computer, the service provider, the access software and the modem, there were a succession of small but irritating technical problems which took more than three hours to solve.

For the satisfaction of doing the job right, and denying the hotel $50 (£30) in call revenues, I wasted nearly half a day.

Indulging technological machismo is usually a mistake. With computers, we get sucked into the attitude of saying 'I'll fix this problem if it kills me', without realising the consequence is that it could. (The alternative is to imitate the man in the US who pumped five rounds of bullets into his PC last week when it failed to respond to reason.)

Looking back, it is easy to laugh at the irrationality. But most of us, businesses as well as individuals, are inconsistent about how we price our time. The same person who can waste an hour on a simple technical problem will have no hesitation in spending an extra £10 on a taxi that reaches the destination 15 minutes before the bus or train.

Only a minority think hard about the value they place on their time, and then act on their decision. One private banker I know hates fixing things around the house. He calls in a plumber to deal with every leaking tap. When he wants to hang a picture, he calls in a painter-decorator to bang in the nail.

Many big companies have a department to produce business presentations and to prevent highly paid specialists from wasting hours fiddling with fonts and colours in PowerPoint. One international consultancy goes further: it employs jokesmiths to lighten up the dense strategy briefings of its partners.

The same company offers a house-sitting service for consultants who would otherwise have to stay at home waiting for a heating engineer or repair man on the grounds that the cost to the business of providing the service free to employees is less than the billable consulting hours saved.

At first sight, you would expect that saving the time of highly paid executives ought to be uniformly a boom industry. But the results are patchy.

Cellphone operators, for instance, have achieved spectacular success in exacting a "mobility premium" from their customers for the convenience of being able to make a call while in transit and during time that might otherwise be "dead". But the phones stuck in the back of airline seats have not yet become popular; I have only once seen anyone use them.

My belief is that two factors determine whether a business will succeed in persuading busy people to trade money for time.

One is certainty. The customer has to be confident the service will deliver on its promises. This is why so few people are willing to call the premium-support services that charges to solve computer problems.

Whatever the reality, too many PC users find it hard to believe that the premium services will be quicker or better than the ill-informed support staff of software and hardware companies.

The other factor is the entry ticket. Even if the price of the time-saving service is reasonable on a per-hour or per-project basis, customers tend to shy away from a high fixed cost at the outset. People who might easily spend a quarter of an hour on the phone at £2 a minute will refuse to pick up if they have to pay £5 to initiate the first call.

Similarly, people shy away from a call to a technical support service that commits them to a fixed sum of £15 an incident.

One key to success in offering these time-for-money services is to accept human optimism as a given. Most people who waste three hours trying to solve a computer problem start out thinking it will take only ten minutes – even if the ten-minute problem lasted three hours last time, too.

An ideal approach might be to invite customers to call in with a problem, but allow them to cancel the call if they solve it themselves in the next ten minutes.

The equivalent with airline phones would be to reverse the pricing scheme. Instead of charging £3 to pick up the phone, the operator could make the first 30 seconds free, but charge £2 a minute thereafter.

The result would surely be that scores of passengers on each flight would pick up a phone intending just to leave a short message, and end up having long and rather lucrative conversations.

tim.jackson@pobox.com

THIS WEEK

Clinton goes back to Martha

DATELINE

Washington: President Clinton and his family can this year afford to take their holiday with the East Coast elite, writes Gerard Baker

In a couple of weeks, President Bill Clinton will escape the suffocating humidity of a Washington August to take his family to Martha's Vineyard for their annual vacation.

The choice of destination might seem an appropriate and uncomplicated one for the first citizen of the US. The Vineyard, an island treasure in cool summer waters off Massachusetts, is a resort where the East Coast elite have traditionally holidayed.

But for Clinton, this year's break represents a form of liberation. Unlike almost all his predecessors, Clinton has no vacation home. Where former president George Bush sailed every year at Kennebunkport and Jack Kennedy partied at Hyannis Port, the Clintons have been nomadic holidaymakers, relying on the generosity of friends for their recreation.

A rented house on the Vineyard, with its gentle breezes, bookshops, and lush golf courses was the natural choice in the first two summers of Clinton's presidency.

Then came the age of Dick Morris, the president's political adviser in 1995-96, a man whose powers of electoral divination were justly famous. For about 18 months, Clinton could do nothing without consulting Morris, who, even some of his admirers say, is a cross between Machiavelli and Rasputin.

Morris concluded that Martha's Vineyard was a political disaster area for the Clintons. Its association with the pampered rich made it a high-risk destination for a man of the people seeking re-election in 1996.

Instead, Morris declared, the Clintons should do something rugged, something to set the American public's pulse racing.

The Rocky Mountains was the place his focus groups seemed to prefer. And so the Clintons hiked, rode horseback and camped through Wyoming and Montana in full view of the cameras, before retiring with their billy-cans and Stetsons to Washington, safe in the knowledge they had served a greater political purpose.

With the election safely won last autumn, and freed from the demands of running for office, Clinton can once again indulge his hedonistic tendency and head for the beach.

The president's politically-motivated vacation decision offers a revealing glimpse into the double-think that pervades popular American social attitudes. Americans like to think of themselves, with some justification, as the great classless people.

No other nation comes close to being as free of hang-ups about what their parents did for a living or where they went to school. Eighty per cent of American millionaires, according to a recent survey, are first-generation rich and most are applauded for it.

But somewhere, not far below the surface, there lurk powerful resentments. A growing number of Americans, according to opinion polls, believe they are being stifled by the rich.

And in recent years class warfare has been a near constant feature of political debate. Clinton portrayed himself in the 1992 election campaign as the man with humble roots taking on the Yankee aristocrat Bush. Pat Buchanan, the right-wing Republican firebrand, led his "peasants with pitchforks" revolt a long way through last year's Republican primary campaigns.

Richard Gephardt, the Democrats' leader in the House of Representatives, is building a coalition of the dispossessed with which to fight Al Gore, the vice-president, for the Democratic presidential nomination in 2000.

Even this week, just days before the president goes to play among the rich, he is waging a highly effective campaign against a proposed Republican tax cut, that would, he argues, be a gift for the wealthy, paid for by the ordinary working family.

The timing of this outbreak of class warfare seems odd. The end of the cold war had seemed to settle the debate between liberty and equality. And as the American economy enjoys its best times for many years, more Americans than ever are enjoying the benefits.

But the 1990s have produced a backlash against the inequalities in American economic life that expanded alarmingly in the 1980s. Even the Republicans who won control of congress three years ago on a radical conservative agenda, offered a populist critique of the some of the inequalities that had grown in the last few years.

The Martha's Vineyard episode points up the enduring political possibilities of American class consciousness. According to Clinton's advisers, the problem with his being seen among the rich was not that he was part of the upper classes, but that, in a politically important way, he did not really belong there. Clinton's appeal was as the poor boy from a single-parent family made good. If he mixed with the New England Brahmins, it would indicate he had lost touch with the people he represented.

Always the master of the political image, Clinton stayed publicly loyal, until the election at least, to the down-trodden.

FT GUIDE TO:

PROPORTIONAL REPRESENTATION

There's been a lot of talk over the past fortnight about Britain moving over to proportional representation. What's going on?

The government has been quietly going about changing the way people vote in Britain. In the past two weeks it has announced plans for PR to be used in three separate elections in 1999, the first time the system has been tried in the UK mainland.

The most surprising development was Tony Blair's insistence the next elections to the European Parliament in June 1999 would be held using PR. All other European Union countries already use PR for Euro-elections and – because of its special political circumstances – so does Northern Ireland.

Elections to the proposed Scottish parliament and Welsh assembly, scheduled for May 1999, will be elected using a mixture of the first-past-the-post system and PR.

What's wrong with good old first-past-the-post?

Its opponents say it is unfair and undemocratic. First-past-the-post operates in a constituency system: the candidate with the highest number of votes wins the seat. Its advocates say it is simple to understand, provides a link between MPs and their constituencies and tends to produce strong government.

Isn't Tony Blair hostile to PR?

Not in principle. In fact, by the time Mr Blair has seen through his constitutional reforms, most elections in the UK will be carried out using one form of PR or another. Ministers are also considering extending it to some local elections or mayoral elections.

However, Mr Blair's oft-stated position is that he is "not persuaded" of the merits of PR for elections to Westminster.

Why doesn't he think PR is appropriate for Westminster?

Cynics might say he is hardly likely to disagree with a system which has handed him a 179-seat majority; that represents 64 per cent of the seats with 44 per cent of the votes. However, he says he is concerned that PR could break the constituency link, produce unstable government, and hand disproportionate power to minority parties.

Is he having second thoughts?

Supporters of PR in the Labour party and the Liberal Democrat party think he is wavering. They point to his recent endorsement of early PR for Euro-elections and his decision to give Paddy Ashdown's party seats on a cabinet committee considering electoral reform.

Labour has promised a referendum on whether to move to a PR system for Westminster elections, and will set up a commission in the autumn to look at different voting systems.

Some people believe Mr Blair would be happy to hold the election of 2006/7 using PR. By then he would have carried out a 10-year programme of reform, and might be facing a more serious challenge from the Tories.

Doesn't PR leave minority parties in an unduly powerful position if they hold the balance of power?

It can. That is why the Free Democrats are hardly ever out of power in Germany. Most PR systems have a lower limit threshold of votes, to prevent very small, fringe parties winning seats.

Not surprisingly the most enthusiastic supporters of PR in the UK are the Liberal Democrats, who have been out of power since the first world war. They won 46 seats (7 per cent of the total number of seats) at the general election, when their 17 per cent of the vote would have won them about 110 seats under PR.

You talk about PR, but aren't there a number of different voting systems under the PR umbrella?

There are four main alternatives to the first-past-the-post system.

Purists prefer the **single transferable vote** system, where people vote in large multi-member constituencies for candidates on a lengthy list. In a constituency returning five members, a party would require only one-fifth of the vote to secure one seat. The system favours smaller parties, and is used in countries like Ireland, Sweden and Greece.

Israel uses an even simpler form of PR: the **list system** where there is in effect one constituency covering the whole country. People vote for parties, not individual candidates, and seats are allocated according to each party's proportion of the vote.

The **alternative member system**, used in the German Bundestag, is what is being proposed for Scotland and Wales. People vote for a local MP under the traditional first-past-the-post system, but then cast a second vote for a party. The parliament is then "topped up" on a proportional basis. This may emerge as an alternative to the present system for Westminster elections.

The fourth system, the **alternative vote**, is not strictly proportional at all. This system, used for the Australian House of Representatives, is based on constituencies with electors voting for one candidate but ranking other candidates in order of preference. A successful candidate must win at least 50 per cent of the votes: if there is no outright winner, the candidate with the lowest vote is eliminated and his or her second preferences redistributed, until there is an outright winner.

It all sounds a bit complicated – no wonder the UK has stuck to the old system for so long. Which other countries still use first-past-the-post?

The Electoral Reform Society puts it succinctly: "The only countries that use first-past-the-post are those which have been conquered by Britain at some stage in their history." That means, among others, the US, Canada, India, Pakistan and Kenya.

George Parker

The Monday Profile: Eberhard Martini and Albrecht Schmidt

A study in contrast

Friends in banking: Eberhard Martini, left, and Albrecht Schmidt

Munich's two top bankers are a study in contrast. Eberhard Martini is a jovial Bavarian who is fond of cigars, good food, Italian culture and traditional off-duty pursuits like hunting and fishing. Albrecht Schmidt, who lived in east Germany until he was 16, does not smoke, is less extrovert though equally amiable and likes music and hiking.

Both men are lawyers who have spent their careers at the banks they now head – Augsburg-born Martini at Bayerische Hypotheken-und Wechsel-Bank and Schmidt, born in Leipzig, at Bayerische Vereinsbank.

Last week in Munich they faced the press to announce a merger to form Europe's second largest bank after Deutsche Bank. With total assets of DM740bn (£245bn), Bayerische Hypo-und Vereinsbank will be bigger than Dresdner Bank, currently Germany's number two.

Schmidt, an architect's son, and Martini, whose family is in the textile business, have known each other for 30 years. But friendship will be not be their priority when the merger details are sorted out.

Apart from deciding which branches to close and how many staff to shed, the question of who will head the bank has to be answered.

Both have said they will be available for the job, but the betting among analysts and bankers is that Schmidt will emerge ahead. Not only is he, at 59, three years younger than Martini, but he has built up a reputation as a clear thinker and decisive personality who has long forecast a shake-up in the banking sector.

Schmidt, a supporter of the European single currency, has moved beyond the banking world to express strong views on the need in Germany for more deregulation, greater economic flexibility and a less rigid labour market.

Although Hypo-Bank has shown a capacity for innovation in such areas as direct brokerage and fund management – where it owns a majority of the UK's Foreign & Colonial Management – it has also shown weaknesses.

Its recent profits performance has been erratic and some of Hypo-Bank's industrial holdings have performed badly. Moreover, Martini, a former president of Germany's banking association, has not developed such a broad profile on banking and non-financial matters as has Schmidt.

Analysts say Hypo-Bank, with a Roman Catholic tradition, has been run more conservatively than Vereinsbank, whose roots are mainly in the Protestant community, and that it has lacked a clear strategy, despite greater attention to cost-cutting and shareholder value.

"Hypo has not performed very successfully compared with other banks," comments one analyst.

As for the merger, "the architect is clearly Schmidt not Martini," he adds. "Schmidt comes across well, he articulates a strategic view and his bank has a better record than Martini's."

In spite of his earlier image as a dynamic and unconventional banker, Martini's profile has not improved in recent years. "As chairman, you have to sell the bank to outsiders. Schmidt has done a better job in that respect than Martini," says the analyst.

The fact that Hypo will appear in the bank's name before Vereinsbank could be regarded as a gesture to ease the former's acceptance that Schmidt will be in the driving seat. Martini, as the elder man, could have an initial period as chairman before retiring, but this might send wrong signals about its willingness to integrate the two operations vigorously, while expanding abroad.

Schmidt sees the combined strength of the two banks – founded by Bavarian kings in the last century – as being mainly in mortgage business (where it will be European market leader), asset management, trade and project finance and the financing of *Mittelstand* (medium-sized) companies.

"We want to push these activities ahead in a European dimension," he says.

He compares the domestic market approach with that of Lloyds TSB in the UK, with a strong emphasis on retail business. "In Germany, we will cover the country."

In a country where unemployment is high and social consensus prized, cost-cutting will not be easy. So no estimate of likely job losses has been given. "It will not be like the dramatic cost-cutting in the US," says Schmidt.

One adviser says the savings the bank aims for in five years would be achieved in the US in half the time.

The bank will also expand abroad and, through existing operations, it will be well represented in eastern Europe, northern Italy, Scandinavia and the Baltic countries.

There are ambitions on the investment side. "We could acquire something new in asset management," says Martini. "The US is a strategic target."

Both men agree Munich will gain in financial stature through the amalgamation, providing what Martini calls "lively competition" with Frankfurt, centre of Germany's capital markets.

They are convinced the deal is right for both banks. "We will have to do a lot of things wrong if this isn't a success story," says Schmidt.

Andrew Fisher

Peter Norman · Economic Notebook

Germany in a frail condition

Political attitudes impeding change in continental Europe

There is something of the vulture in all economic journalists.

So when the Kiel Institute of World Economics and the Massachusetts Institute of Technology recently convened an international workshop on "newly declining countries" with the clear inference that Germany was member of this group, a quarter of the 28 participants were from the press.

More unexpected, given the tendency of economists to disagree, was the underlying consensus among the 21 academic and government economists that Germany, along with France, is in a frail condition.

Although Germany may have some way to go before it can be branded the sick man of Europe, nearly all the economists at the Kiel meeting took a dim view of its present state. The country's economic miracle lies almost two generations in the past and, as the illustration indicates, it is slipping down the world competitiveness league.

Faced with a complex and unfair tax system, unnecessary bureaucratic hurdles, an inflexible labour market and a generous social security system that tends to smother individual initiative, Chancellor Helmut Kohl's government has surely been right to prescribe a course of supply side reforms.

The government's difficulties lie in implementing change against the wishes of some of its supporters, the opposition Social Democrat party (which controls the second chamber of parliament), and a host of well organised vested interests.

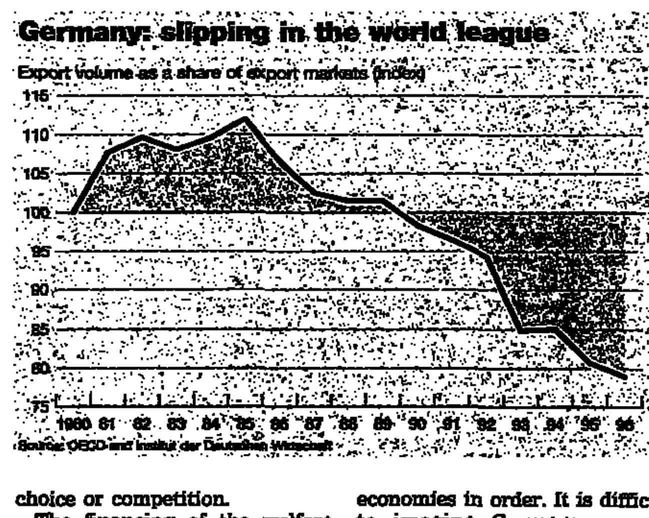
But the Kiel meeting also highlighted some cultural and political attitudes that could be impeding change in continental Europe. Dennis Mueller, speaking with the perspective of an economist who has worked in Berlin and the US before moving to Vienna university, noted a tendency to rely on governments and hold them responsible for developments, whereas "in a democracy, we should hold the citizens responsible".

He singled out the Continental approach to social solidarity as a problem. The urge to equalise wages with the more efficient north of Italy and western Germany had, for example, destroyed jobs among low productivity workers in Italy's south and the new Länder of eastern Germany.

Some of Europe's political priorities seem quirky. Mueller pointed to the paradox that European politicians see poverty as a serious problem even though they live in one of the world's richest areas.

The European practice of taxing labour while subsidising property is also damaging. This pattern of taxing the mobile and subsidising the immobile is reversed in the US, which may explain some of America's dynamism and ability to create jobs.

Nowhere is Europe's tradition of state responsibility more obvious than in the field of social policy where countries such as Germany have mandatory state-run social insurance systems. As Roland Vaubel of Mannheim university argued, these offer no choice or competition.



The financing of the welfare system means that Germany's non-wage labour costs exceed their US equivalent by 175 per cent and those in Japan by 140 per cent, Vaubel said. No one can tell whether it offers value for money because "the welfare state suppresses discovery" of its true costs.

These problems have come together at an unfortunate time. Horst Siebert, head of the Kiel institute, said Kohl's government had less room for manoeuvre than previous Bonn administrations because capital and productive investment could exit the country more easily than in the past. It is also easier for other countries to import know-how and technology.

These manifestations of globalisation mean that nations nowadays have less time to put their economies in order. It is difficult to imagine Germany or any other newly declining nation being able to follow the example of Britain, which experienced a century of relative decline starting around 1885. It was only in 1979 that sufficient anger and frustration had built up in Britain to bring to power a government with the will to implement change.

Germany still lacks the sense of crisis that characterised Britain in the so-called winter of discontent. But there have been some calls for radical change. President Roman Herzog, in a notably frank speech in April, lamented Germany's "loss of economic dynamism, the ossification of its society and an incredible mental depression" and urged "internal renewal" to overcome the crisis.

Inspired by the president's speech, Hans-Olaf Henkel, head of the German Federation of Industry (BDI), this month demanded a national debate about the political paralysis which he saw resulting from Germany's federal structure and system of proportional representation. Henkel pointed out that other countries had engaged in "political engineering" or "constitutional re-engineering" to enable their economies to compete more effectively in the global economy.

The reaction to Henkel was instructive. Rather than triggering a debate, his call for a constitutional rethink met with widespread criticism. This has reinforced Kohl's administration in its view that there would be no parliamentary majority for radical change to the way Germany is governed.

So, does the stalemate between the government-controlled lower house of parliament in Bonn and the opposition-dominated second chamber mean that Germany is doomed to stagnate until it experiences something equivalent to the UK's winter of discontent of 18 years ago?

Not necessarily, says Rüdiger Soltwedel, a Kiel institute economist and a passionate advocate of greater transparency as a way forward to reform.

More openness in Germany could work wonders, he believes. If German voters knew that state-run social security was a bad bargain, for example, they would be less inclined to put their faith in government and might even be inclined to vote for change.

Israeli homes
tension grows

ARTS

OPENINGS

EDINBURGH
The week-long Edinburgh jazz festival usually concentrates on classic, mainstream sounds. More contemporary sounds are on offer this year and the opening weekend includes a John Scofield trio on Saturday and a jazz/hip-hop combo led by Courtney Pine (left) on Sunday. Both concerts are at the Queen's Hall.

A retrospective of Sir Henry Raeburn, best-known of all Scottish painters, opens at the Royal Scottish Academy on Friday. It is the first full exhibition of his work for more than 40 years, and includes 70 works chosen from collections around the world.

LA ROQUE D'ANTHERON
The park at the Château de Florans is the setting for a piano festival which attracts some of the world's leading keyboard players to the south of France. The 1997 programme opens tonight with three Mozart piano concertos played by Zoltan Kocsis. Recitalists over the next three weeks include Byron Janis, Leif Ove Andsnes, Gustav Leonhardt and Nelson Freire.

ST ENDELLION
Every summer for the past 25 years, thousands of musicians and music lovers have flocked to this North Cornish backwater for a 10-day celebration of classical music. The presiding figure is Richard Hickox (left, with Mrs Vaughan Williams), who conducts tomorrow's opening concert. Works to be performed this year include Schubert's *Lazarus* and Vaughan Williams's *Pilgrim's Progress*.

SANTANDER
Mirella Freni sings Mimi in *La boheme* on Saturday, the opening performance of this month-long Spanish festival. Other visitors include the Orchestra Filarmonica della Scala under Muti (left) and the Polish Radio National Symphony Orchestra.

LONDON
This week's Proms at the Royal Albert Hall include the European premiere of *Sofia Gubaidulina's Viola* Concerto tomorrow (played by Yuri Bashmet), a rare UK appearance by German mezzo Waltraud Meier on Wednesday and a selection of Beatles songs in the King's Singers late-evening Prom on Thursday.

Bernard Shaw's most famous play, *Pygmalion*, returns to the West End tonight – and to the Albery Theatre, where it was last seen in 1974, with Diana Rigg and Alec McCowen. Eliza Doolittle was to have been played by Emily Lloyd, but she pulled out, and is replaced by Carli Norris; Roy Marsden (below, left) is Professor Higgins and Michael Elphick (below, right) is Doolittle. The director is Ann Mitchell.

Superb: Peter Donaldson and Lucy Peacock in 'The Shrew', successfully relocated to New York's Little Italy

Theatre as you like it

David Murray visits the festival in Stratford, Ontario

There are huge, stately willows along the peaceful Avon. Swans swim in it, black ones as well as white, and seagulls perch on the banks, probably visiting from Lake Erie. For this is the Canadian Stratford, in Ontario: an old, appealing little town, famous since 1953 for the theatre festival begun there by the director Tyrone Guthrie (with Alec Guinness as Richard III).

You find the railway station on Shakespeare Street. I stayed in Romeo Street; Banquo, Guthrie and even Milton are similarly commemorated, and there is an As You Like It Motel. Shakespeare has always been at the heart of the festival, but like Britain's Stratford it has branched out. The original giant tent was soon replaced by a giant amphitheatre (3000 seats), modelled on the one at ancient Epidaurus but retaining Guthrie's Globe-style thrust stage and balcony.

A 1901 vaudeville house has become the Avon Theatre (1100 seats). More recently a 500-seat workshop theatre has been christened after Tom Patterson, the festival's local founder. Now, the festival fills almost half a million seats annually, from May to November, in all three venues simultaneously – this year with four plays in repertory at each theatre.

I saw five of the dozen plays, including three Shakespeares. In earlier years the festival used to have British (and American) stars alongside the natives; but nowadays the only Brits are a few veterans of past seasons (and the Americans play at Stratford, Connecticut). This is *Canadian* Shakespeare, which probably sounds no more or less like Elizabethan English than modern British does.

Richard III, with the audience on three sides of the rectangular Tom Patterson Theatre, sounded notably robust and lucid even at top speed. The Richard was Stephen Ouimette – small, wry and prematurely baggy-eyed, a superlative character-actor. (He has played Sir Andrew Aguecheek, the *Antony* Octavius, Mozart in *Amadeus* and Estragon in *Godot*: you get the picture.) He was more peevish and nasty than truly menacing, and his seduction of Lady Anne was even less believable than usual.

Understandably, Lucy Peacock's distraught Anne remained a bit unfocused. Excellent playing in several lesser roles: notably Peter Donaldson's suave Buckingham, though he reacted dully to Richard's lethal rebuff. John Wood's production moved steadily forward without any vital rhythm, and he had not inspired his cast to search far into the text. At the end Richard seemed to be ushered into Heaven by the little princes, a singularly dire idea (even if it was meant to be Hell: one couldn't tell).

For *The Taming of the Shrew* in the Festival Theatre, the pack was re-shuffled: Peacock as a fiery, intelligent Katharina, Donaldson as a grizzled Petruchio with a desperate wit, and Ouimette as his comically louche manservant Grumio. Perhaps inspired by Jonathan Miller's *Rigoletto*, the producer Richard Rose had set it in New York's Little Italy. The result was not just first-rate, but exhilarating.

Brooklyn-Italian accents for the older generation ("God-a save-a you, sirs!"), broad American for the younger folk; dollars instead of crowns; a wealth of funny ideas, teeming one upon another with unstoppable verve. Only a misguided purist would object to the Italian interpolations, when so much more of the text was brought to pointed life than in almost any *Shrew* you might see.

Peacock and Donaldson were a superb central pair, furious, canny and finally loving, and Rose's solution to the "problem" of Katharina's final, abject declaration is too ingeniously disarming to reveal. Too many deft performances by their colleagues to praise here; but Louis Applebaum's score rollicks along with on- and offstage bands, and Graeme Thomson's sets and lighting make fine effects.

Rose's touch is not infallible. Back at the Tom Patterson, his *Coriolanus* was dimmer: badly blocked, often with nothing but actors' inexpressive backs to watch from where I sat (including Volumnia's throughout the great confrontation-scene), and dressed in senseless motley.

The hero, Tom McCamus – some Channel 4 watchers will remember him from *I Love a Man in Uniform* – had the right smouldering charisma, but a tin ear for verse; his lofty rhetoric sputtered. As for the podgy young Aufidius and his weedy tribe, rustic Canadian accents were the last thing they needed.

Stratford goes in for modern classics too. In the Avon Theatre, Janet Wright directed Sean O'Casey's *Juno and the Paycock* staunchly and honestly. The comic gusto which probably concealed the bitter anger of the play from its first Dublin audiences was muted here; the Irish repartee of "Captain" Boyle and his feckless sidekick Joxer, accurately captured by James Blendick and Brian Tree, sounded as hand-me-down and charmless as it really is.

The play just about stands the test of time, despite its raw melodramatic machinery. Lally Cadeau's dour Juno was a tower of strength, well and plausibly supported by everybody else (especially Cara Hunter as the betrayed daughter, bleakly affecting) – except one young man who reduced the proceedings to high-school soap whenever he opened his mouth; but his role, luckily, is a minor one.

Far more memorable was Arthur Miller's *Death of a Salesman*, also at the Avon, faultlessly set and lit (not easy) by Guido Tondino and Steven Hawkins, directed with acute sympathy by Diana Leblanc. As Willy Loman, Al Waxman – a much-loved Canadian TV actor – strove for no tragic heights but remained a dogged, ordinary Joe while age and misfortune destroyed him, and was the more moving for it.

I thought Martha Henry's wife Linda excessively suburban-sweet and gracious in the first half (her lines are more astringent than that), but she struck solidly home later. Their sons were beautiful studies: Graham Abbey's Hap anxiously bright and brittle, Geordie Johnson's Biff exhaustively rounded and ruined – a noble performance. David Jansen's Bernard and Lewis Gordon's Charley, lesser characters, were in the same class.

Have I sounded too critical and captious? Stratford seasons in Warwickshire have comparable highs and lows. The Ontario company matches them with its own special strengths: New World forthrightness and vigour, a blessed absence of thespian narcissism, regular trade-offs between leading roles and small parts that Britain's Stratford has rather given up. I admired them very much.

Coriolanus, *Richard III* and *Juno* continue in repertory until late September at least; *Salesman* and *Shrew* until November.

BBC Proms/**Richard Fairman**

BBC blows its own trumpet

The BBC is learning to blow its own trumpet. Having surreptitiously changed the name of the Henry Wood Promenade Concerts to the BBC Proms a few years ago, it is now advertising them more widely, offering repeat broadcasts on BBC Radio 3 and making sure everybody knows about its commitment with a full page advertisement – "The BBC: You make it what it is" – in the programmes.

In the world of classical music the importance of the BBC, or more particularly Radio 3, has been enormous for years. The controversy rumbles on about how far the powers-that-be may have denied some living composers access to the airwaves in the 1960s, so influencing the history of music in the UK. The BBC commissions more new music than any other organisation and this weekend's concerts included two premieres as well as an interesting Proms' first.

The latter was Korngold's one-act opera *Violanta*, written when the composer was a precocious 17-year-old. Opera North had intended to mark Korngold's centenary with a fully-staged production of the piece, but the money ran out (nice to know these problems extend beyond London). At the performances in Leeds the opera must have seemed shattering, because it was huge even in London's Royal Albert Hall. A large orchestra, extra brass and singers with voices of steel combined to give an idea of the opera's size, if nothing else.

The teenage Korngold seems to have locked himself in his bedroom and composed at top speed with scores of Strauss's *Elektra* and Wagner's *Tristan und Isolde* open on his desk. The story is a schoolboy exercise in psychology, showing how a love-hate obsession can drive a pair of troubled souls to a Wagnerian *Liebestod*. The music swims in a pool of late-romantic excess, intoxicating for the first 15 minutes, until one starts to gasp for air. The English Northern Philharmonia, Opera North's orchestra, conducted rigidly by Paul Daniel, struggled with it and could not help drowning most of the singers – mercifully in the case of Hans Aschenbach, the tenor, though Janice Cairns in the title role fought back with some of the loudest singing I have heard in this hall.

In the late 1960s Peter Maxwell Davies was certainly one of the "in" composers at the time when traditionalists were complaining they were "out" at the BBC. Now that he has gone traditional himself, fashion has changed with him. Having completed his series of "Strathclyde" Concertos, Maxwell Davies is turning his hand to another long series: 14 orchestral pieces, each representing one of the sail-like banners hung in St Magnus Cathedral to commemorate a 12th century expedition from the Orkney Islands in Scotland to Jerusalem.

It is not clear whether Maxwell Davies intends them to be played together, but it would seem unlikely. The first in the series – *Sails in St Magnus I: Fifteen Keels laid in Norway for Jerusalem-Farers* – has a sufficiently wide range of moods to stand alone, from energetic ship-building music to the slow-motion lull of Mahlerian strings which foreshadows the long journey. Not many of the ideas stick in one's mind, but the whole is atmospheric and put together very professionally. The rest of Friday's Prom included a splendid performance of Beethoven's First Piano Concerto, full of brio, from Stephen Kovacevich and a concentrated Shostakovich Eighth Symphony with the BBC Philharmonic, conducted by Vassily Sinaisky.

The premiere on Saturday was the Percussion Concerto by Jonathan Harvey, written as a showpiece for super-dextrous percussionist Evelyn Glennie. Harvey sensibly focuses on tuned percussion, such as the marimba and vibraphone, and keeps the orchestra spare so that the soloist can dominate easily. The right framework has been provided and the music fulfils its purpose, adding a playful or exotic touch here and there. Richard Hickox conducted the BBC Philharmonic. Both premieres were BBC commissions and that is something worth advertising in itself.

INTERNATIONAL ARTS GUIDE

■ AVIGNON

THEATRE
Avignon Festival
Tel: 33-4-9014 1414
Chant pour la Volga: The Battle of Stalingrad. Written, directed, designed, and performed with puppets by Rézo Gabriadzé; at the Chapelle des Pénitents Blancs; Jul 28

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the designer Robin Linklater and the choreographer Lucy Graham. With the Drottningholm Theatre Ballet and Orchestra; Aug 2

■ LONDON

CONCERTS
***BBC Proms*, Royal Albert Hall**
Tel: 44-171-589 8212
● BBC Symphony Orchestra: conducted by David Robertson in works by Haydn, Mozart and Bartók – initiating a major Proms retrospective of the Hungarian composer's work; Jul 28
● European premiere of Sofia Gubaidulina's Viola Concerto: performed by the Hallé Orchestra, conducted by Kent Nagano with Yuri Bashmet on viola. Programme includes works by Debussy and Shostakovich; Jul 29
● BBC National Orchestra of Wales: conducted by Mark Wigglesworth in works by Beethoven and Mahler. With mezzo-soprano Waltraud Meier and British tenor Anthony Rolfe Johnson; Jul 30
● BBC National Orchestra of Wales: conducted by Mark Wigglesworth. Programme includes David Sawer's *the greatest happiness principle*, Bartók's Piano Concerto No. 3 with pianist Stephen Hough, and Sibelius's Symphony No. 2 in D major; Jul 31

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Fokine Programme 1 – first of two programmes staged by Isabelle Fokine, the choreographer's granddaughter; Jul 31; Aug 1, 2
● The Fountain of Bakhchisarai; Jul 28, 29, 30

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
● Philharmonia Orchestra: conducted by Kent Nagano in works by Messiaen, Pintscher and Debussy; at the Felsenreitschules; Aug 1
● Philharmonia Orchestra: conducted by Kent Nagano in works by Messiaen, Pintscher and Debussy; at the Felsenreitschule; Aug 1

OPERA
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Jul 28
● Mitridate Re di Ponto: by Mozart. Conducted by Roger Norrington in a new production directed by Jonathan Miller, with sets by Peter J Davison. Bruce Ford sings the title role. With the Camerata Academica Salzburg; at the Kleines Festspielhaus; Jul 29
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Jul 30
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Jul 30; Aug 2

THEATRE
● Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production, designed by Imre Vincze; at the Domplatz; Jul 30
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel. Libussa is played by Dörte Lyssewski; at the Perner-Insel; Jul 28, 29, 30; Aug 1, 2

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 28; Aug 2
● Ashoka's Dream: world premiere of Peter Lieberson's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Jul 30
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Jul 29
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Jul 31
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 1

■ SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● Norwegian Chamber Orchestra: conducted by Iona Brown in works by Bach, Aam, Tartini and Grieg. With trumpet soloist Ole Edvard Antonsen; at the Reithalle, Wotersen; Jul 28
● Deutsche Kammerphilharmonie: conducted by Paavo Järvi in works by Haydn, Schoenberg and Beethoven. With baritone Roland Hermann and piano soloist Stefan Litwin; at the Theater, Itzehoe; Jul 29
● Musica ad Rhenum: in works by Bach and Handel; at St. Nicolaikirche, Lüneburg on Jul 31 and at the Dom, Meldorf on Aug 1; Jul 31; Aug 1

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by Seiji Ozawa in works by Beethoven and Berlioz. With piano soloist Arcadi Volodos and tenor John Aler; the Shed; Aug 1
● Boston Symphony Orchestra: conducted by Richard Westerfield in works by Lieberson, Saint-Saëns and Rachmaninoff. With violin soloist Joshua Bell; the Shed; Aug 2

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi, in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Jul 29; Aug 1
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli; Jul 31
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Iancu. Conducted by John Neschling; casts vary; Jul 30
● Madama Butterfly: by Puccini. New production. Conducted by Angelo Campori, with designs by Beni Montresor; casts vary; Aug 2

■ WASHINGTON

CONCERTS
Wolf Trap Tel: 1-703-218 6500
● National Symphony Orchestra: conducted by Zdenek Macal in a programme of works by Tchaikovsky; Aug 1
● National Symphony Orchestra: conducted by Zdenek Macal in Verdi's Requiem, with the Choral Arts Society of Washington; Aug 2

EXHIBITION
National Gallery of Art
Tel: 1-202-737 4215
Sculpture of Angkor and Ancient Cambodia: Millennium of Glory. Around 100 works dating from 6th-16th centuries; to Sep 28

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CNBC:

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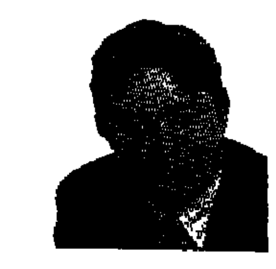
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight



Philip Stephens

The test to come

The UK prime minister knows his programme will be as hard to put into practice as it was easy to announce

John Major made the cabinet room his office in 10 Downing Street. Tony Blair has opted for a small antechamber a few paces away from the formal seat of prime ministerial power. Instead of the vast mahogany table flanked by portraits of past grandeur, there is a smallish sofa and a couple of easy chairs. The style is Whitehall chintz. When the sun shines, Mr Blair steps out with his papers on to a small terrace overlooking the garden. The tan is real.

And the symbolism is self-evident. Beleaguered and latterly besieged, Mr Major forever needed outward proof of his status. Mr Blair can afford to be careless of the trappings of authority. In the family flat upstairs there are still packing cases to be emptied. It will be another two weeks before the obligatory judgments on Labour's first 100 days spill out from the airwaves and the editorials. But no one doubts Mr Blair's grip on the nation. Power suits some people. It is already said he will occupy No 10 for as long as Margaret Thatcher.

Maybe; but one step at a time. By all accounts, there have been few surprises for a prime minister who had never before served in even the most junior of government posts. He is frustrated sometimes by the time it takes to get things done.

There are cobwebs to be blown from the Whitehall machine. After 18 years of Conservative rule, he finds the mandarins, how shall we say, rather conservative. One aide likens the transition from the disciplined decision-making of opposition to the ponderous deliberation of government to exchanging a speedboat for a supertanker.

There have been moments too of utter exhaustion. A gruelling international schedule, taking in Denver and Hong Kong as well as the European tour, followed hard on the heels of the election campaign. But Mr Blair seems to have passed through the pain barrier. A holiday beckons. If he looks tired, he is also relaxed. It makes a difference doing things, taking decisions instead of making speeches.

Northern Ireland has taken more time than he imagined. The last few weeks have been a crash course in frustration. Now there is a ceasefire. Mr Blair has no illusions. It may well be no more than a tactical manoeuvre on the part of Sinn Féin/IRA. What he does not accept is that the violence is forever a foregone conclusion.

For all his access to the most secret of intelligence, Mr Blair considers it impossible to assess the precise balance of power between doves and hawks in Sinn Fein/IRA. So he will give the talks process a serious shot – at least until next spring. If Gerry Adams and his fellow republicans reload their armalites, the prime minister wants the world, or more precisely, Washington, to see where responsibility lies.

The big set-piece events of these first 87 days were the Amsterdam Treaty and the Budget. Whether the first achieved anything of worth for the European Union is doubtful. But Britain's new government did enough to end the sour exile of the Major years. And Robin Cook, the foreign secretary, made a name for himself.

> We should not be dewy-eyed. A nation so determined to turn out the Conservatives is anxious that Labour should succeed

Reviews of the Budget and of Gordon's Brown's decision to hand control over interest rates to the Bank of England have been mixed. The price of keeping faith with middle Britain on taxes could yet be a boom that turns to bust. But those looking for early rifts between prime minister and chancellor will be disappointed. His first briefing papers from the Treasury told Mr Blair that inflation was heading for 4 per cent. Three interest rate rises later, he insists that Mr Brown has got it right.

The chancellor and the foreign secretary, of course, do not spend a moment more than necessary in each other's company. The mutual loathing is visceral. But Mr Blair's cabinet is one of vertical rather than horizontal relationships. Mr Brown is the confidant. But Mr Cook gets due praise for his effortless grasp of foreign affairs: the more so when Madeleine Albright, the US secretary of state, is heard to say he is the sharpest foreign secretary she has encountered.

Mr Blair's larger purpose during these first months, though, has been to show his government makes a difference. The lazy fashion among commentators has been to cast New Labour as remodelled Tory. It is one belied by the blizzard of initiatives since May 1.

At one end lie the immense enterprises of constitutional and welfare reform. At the other, are the touches of humanity added to attitudes towards, say, gays and immigrants. Even Prince Charles may be a beneficiary. Somehow the idea that Britain's future king, divorced from Princess Diana, might now be permitted to marry Camilla Parker Bowles seems, well, not unreasonable.

We should not be dewy-eyed. For now, Mr Blair is part of the zeitgeist. A nation so determined to turn out the Conservatives is understandably anxious that Labour should succeed. It will turn a blind eye to the mistakes and inadequacies, just as the media has little appetite yet for tales of personality clashes and cabinet rows.

Mr Blair's programme will be as hard to put into practice as it has been easy to announce. The real test of this administration will come in the implementation. For now it has almost as many reviews in place as MPs at Westminster. And, to take one example, Mr Blair will admit the risk in investing £3bn in a welfare-to-work programme for the long-term unemployed. The scheme, he knows, may not work. I am not quite so sure he appreciates the political pain to come from sticking with the last government's public spending plans.

Yet to say Mr Blair will be less popular in six or nine months time is to state the obvious. He knows that as well as the rest of us. That is why he is rewriting the rules of British politics. In this, his critics on the Old Labour left and among the union barons are correct.

Mr Blair has set down a new set of rules for the centre-left, tearing down the tribal boundaries which once defined his party. Last week's deal with Paddy Ashdown's Liberal Democrats, the willingness to cut the number of Labour MPs in Scotland as the price of devolution, and fees for university students all carry the same message: there are no taboos in a project which intends to leave right and left alike stranded by the tide of centrism. Its leader, we have learned, is a social democrat whose purpose is to lead a nation not a tribe.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Demand over technology patent risks dangerous precedent

From Mr John Stobo.

Sir, Marjorie Shaffer neglected to mention ("Bad blood over patent", June 5) the deleterious effect that government intervention in a patent dispute surrounding stem cell selection for cancer patients would have on the future of non-profit research in the US.

At issue is a demand by US biotech company CellPro that the federal government exercise "march in" rights under the Bayh-Dole Act, and issue CellPro a compulsory licence to technology patented by Johns Hopkins University. CellPro has been found by a unanimous jury to have knowingly and wilfully infringed upon Hopkins' patents in developing its stem cell selection device.

CellPro claims government intervention is required because patients may be denied access to the technology. In fact, Hopkins and its licensees have taken effective steps to ensure uninterrupted access. The American Cancer Society recently withdrew support for CellPro's government petition after reviewing the facts and concluding patient access will not be compromised.

Government intervention is not only unwarranted but would set a dangerous precedent. If private companies cannot trust the government to respect patents, universities such as Johns Hopkins may be unable to find licensees willing to invest the millions of dollars needed to bring medical inventions to market. Patients will ultimately lose out.

John Stobo,
vice-dean for research and technology,
Johns Hopkins Medicine,
720 Rutland Avenue,
Suite 124,
Baltimore, Maryland, US

Softly, softly rate rises damaging

From Mr Christopher Smallwood.

Sir, The news that, fuelled by building society windfalls, the consumer boom continues to gather pace ("UK retail sales up as spending spree continues", July 24) means that the foreign exchange markets, anticipating substantially higher interest rates, can be expected to go on pushing the pound higher.

This will intensify the squeeze on a manufacturing sector already feeling the pain of a DM3 pound and push manufacturing industry, and eventually the whole economy, into recession. The 24 per cent rise in the effective exchange rate over the past year is the same as the 1979-80 rise, which produced a 17 per cent drop in manufacturing production and a 5 per cent fall in gross domestic product. It is double the rise which took place in the run up to ERM entry, which precipitated a fall in manufacturing output of 8 per cent and a GDP drop of 4 per cent.

The question now is whether a third sterling-induced manufacturing disaster can be averted. With the Budget behind us, this is down to the Bank's handling of interest rates from now on. Unfortunately, its policy of quarter point interest rate rises has signally failed so far to dent consumer confidence – nor, with £35bn of windfalls pouring out, is it likely to do so for a considerable time. The danger is that if this softly, softly policy isn't changed, sterling will continue to strengthen for months to come.

If the pressure on industry is to be relieved before irreparable damage is done, the adjustment process must be speeded up, with more aggressive early rises in interest rates, so that expectations about the future direction of rates can be put into reverse and sterling returned, much more quickly, to levels at which industry can compete.

Christopher Smallwood,
Makinson Cowell,
16 St John's Lane,
London EC1M 4BS, UK

Dismay at how link put at risk

From Mr Sarwar A. Kashmeri.

Sir, Boeing may well have "blinked" and the EU may well have "wrung concessions" as you observe in your excellent article "Bluff, bluster and brow beating beat Boeing" (July 23). But there is a far more serious issue lurking behind this matter: the EU as a potential world power. I would like to quote Lady Thatcher.

"Europe separated from the United States would in my view be unequivocally a bad thing – bad for America, bad for Europe, and bad for the world at large. For America, it would transform an ally into a rival – or, at least, permanently threaten to do so. For the world at large, it would increase instability by dividing the west and so hasten the move to a multipolar world. And for Europe itself, it would remove from our continent the one power which has kept the peace for 50 years – and which no European really fears."

Many of us here who are strong believers in the transatlantic relationship, and supporters of the European Union, viewed this episode with considerable dismay.

Sarwar A. Kashmeri,
president,
Niche Systems,
274 Madison Avenue,
New York, NY 10016,
US

Kenyan system seeks broad national, not tribal leadership

From Mr Mwanyengela Ngali.

Sir, Michela Wrong's article "Mombasa Moslems lose faith in Moi" (July 23) needs a factual correction and additional clarification.

For a presidential candidate to be declared winner he/she must not only win 25 per cent of the vote in five of the eight provinces but also the majority vote. What the law seeks to achieve here is a broad national, not tribal leadership. In the last general election Mr Moi won 38 per cent, not "less than a third" of the national vote, in addition to meeting the provincial requirement.

All the main urban areas of Kenya have residents from all communities, social classes, religions and cultures. Mombasa is therefore not unique in this and, on the contrary, has been rather peaceful and leisurely. Religion had until 1992 not been a factor in Kenyan politics. The acquisition of jobs and property has been based on merit and the genuine desire to have the full participation of all the communities in the economic life of the country.

Mwanyengela Ngali,
high commissioner,
Kenya High Commission,
45 Portland Place,
London W1N 4AS, UK

Judy Dempsey on the prospects of a resumption of Middle East peace talks after a change of strategy by the Palestinians

Moves and manoeuvres

When Mr Saeb Erekat, Palestinian peace negotiator, recently addressed an audience in Bethlehem, he suggested there was only one choice. Since Palestinians could not rely on the international community to put pressure on Israel, they would have to devise their own strategy to save the peace process.

Talks between Israel and the Palestinians were suspended last March when Israel started building a new Jewish settlement at Har Homa in east Jerusalem. Mr Yassir Arafat, the Palestinian president, said he would not resume contacts until all expansion or new settlements were halted. Mr Benjamin Netanyahu, the Israeli prime minister, said fresh talks depended on the Palestinians cracking down on terrorism.

The Palestinians hoped they could use Har Homa to muster international support to put pressure on Israel to abandon its settlement policy. The attempt failed.

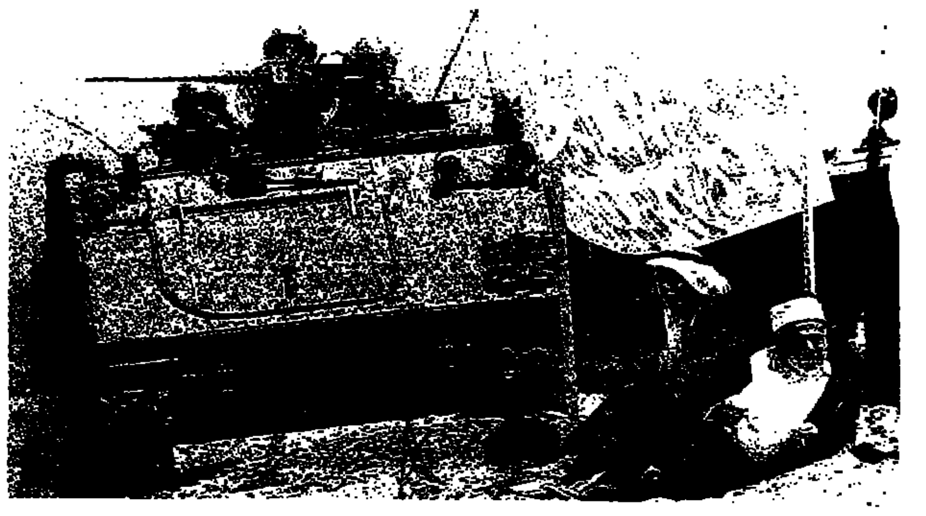
Egypt's attempts at mediation have faded. The United Nations has yet to translate tough words into actions. And in the US the Clinton administration appears paralysed over how to restart the talks. Israeli officials believe they may have weathered the storm over Har Homa.

The Palestinians therefore tried another tactic. The Palestinian Authority encouraged riots in some West Bank towns. But this failed, too, only hardening Mr Netanyahu's position.

The failure to kickstart the process led to a change of strategy. Those grouped around Fatah, the largest faction in the Palestine Liberation Organisation, argued the only way to put pressure on Israel was to "irritate" it through actions designed to create a sense of insecurity.

Those around Mr Arafat and Mr Erekat disagreed. The way to achieve influence, and ultimately gain their Palestinian state, they argued, was to return to the negotiating table and lock Israel into talks through the framework of the 1995 Oslo interim agreement. For the moment, they have won.

To help bring this about, Mr Arafat has started cracking down on Hamas, the Islamic Resistance Movement. This contributed to the success of last week's European Union-brokered meeting between Mr Arafat and Mr David Levy, Israel's foreign minister, where they agreed to relaunch the peace talks.



Confrontation: an Israeli army vehicle approaches Palestinian demonstrators this year Reuter

The understanding in Brussels, however, was not an effort to reach a breakthrough on individual issues. Palestinians admit it will be hard to persuade their people to resume talks as long as Mr Netanyahu refuses to back down on the settlements issue. But some Israeli officials say Mr Netanyahu may be trying to find a formula to get round this.

Mr Netanyahu's first test on this issue is likely to come soon, following the decision by Mr Ehud Olmert, the hardline Likud mayor of Jerusalem, to build a new Jewish settlement in Ras al-Amoud, an east Jerusalem district inhabited by 11,000 Palestinians.

"We will see how Netanyahu deals with Ras al-Amoud," says a senior Israeli official. "But ultimately, he needs Arafat to crack down on terrorism. Netanyahu wants to win the next election on the security ticket. He cannot do so without Arafat's co-operation."

Before they return to formal peace talks, Mr Arafat and his aides insist that Israel must make concessions. They want the long-overdue implementation of five central elements of the Oslo peace accords, spelt out again in the Hebron Agreement of last January which Washington promised to guarantee. These include opening an airport and seaport at Gaza, a safe corridor between Gaza and the West Bank, the release of all political prisoners and an end to settlement expansion.

Some progress has been made. Israeli and Palestinian officials say the airport is all but ready to open, though the seaport is dogged by security and other issues. On prisoners, Israel wants those belonging to Fatah released before Hamas prisoners.

The safe corridor remains a sticking point. Two routes from Gaza into the West Bank have been carved out. But the Palestinians want one of the entry points to be located on the borders that existed before the 1967 war, when Israel occupied the West Bank. The Israelis reject this, arguing it would set a precedent for the Palestinians, establishing a state that would extend to the pre-1967 borders.

The issue of the boundaries of the Palestinian state lies at the heart of the peace process. Mr Netanyahu, ideologically opposed to the Oslo peace accords, wants to decide this unilaterally.

He did so last March during the first Israeli pull-back from the West Bank, when he ceded a mere 2 per cent of Israel's occupied land to full Palestinian control. Israeli officials admit Mr Netanyahu has no intention of implementing the second pull-back of Israeli troops from the West Bank due in September.

"Netanyahu does not want the geographical boundaries of a Palestinian state to be demarcated before the final status talks," as one diplomat says. These talks will focus on the future status of Jerusalem, settlements, water rights, Palestinian refugees and Israel's borders.

Diplomats believe Mr Netanyahu is determined to hold on to much of the West Bank, creating a kind of Swiss cheese. In his version, the Palestinian state would be wedged in holes surrounded by Israel and the settlements, diminishing the state's viability.

The Palestinians realise this. Towns in their fledgling state are already cut off from each other through Israeli-controlled bypass roads and settlements. "It's a kind of strangulation," says Mr Erekat. That is why Palestinians are desperate to try to make Israel adhere to the Oslo agreement, he says.

"I don't know if we can go it alone," a Palestinian official says. "Israel holds all the cards. We lose if we resort to violence. We lose if we jump to the final status talks, because we will have few negotiating cards. Our only hope now is for Washington to step in and rescue the peace process."

COMMENT & ANALYSIS

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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South Korea's hangover

South Korea is paying dearly for its industries' addiction to relentless debt-financed expansion. Since the Hanbo steel group collapsed in January, a stream of other companies including Kia, the country's eighth-largest conglomerate, has sought bankruptcy protection. The commercial banks moved into overall loss in the first half of the year, and Korean borrowers have seen their credit ratings slashed.

Conditions risk deteriorating further unless the authorities act more decisively. So far, Seoul has relied on pumping ever larger funds into the banking system, in the apparent hope that ailing companies can be propped up until they are rescued by an economic upturn.

This approach is dangerously Micawberish. Official economic forecasts look optimistic, given the scale of excess capacity in many industries. But even if the forecasts were met, growth might not be fast enough to save many companies with balance sheets still geared to the boom conditions of the past.

Meanwhile, the government's reactive stance is endangering the financial system. Troubled companies are finding it hard to raise cash by shedding assets, while much bank lending is secured against big borrowers' property holdings. Any fall in property prices triggered by distress sales could prompt the banks to call in loans, setting off a contradictory spiral.

The wisest course would be to let some smaller corporate casualties fail and dispose of their assets. Seoul may eventually be forced to do that, anyway. By acting now, it could better control the situation – and show it was no longer offering the implicit guarantee against bankruptcy which has fuelled imprudent corporate borrowing in the past.

The government also needs aggressively to liberalise Korea's financial sector, particularly the corporate bond market. It has acted cautiously until now, fearing an influx of capital would push up the exchange rate, harming exports. But the won's recent weakness allows more elbow room.

Freeing more creditworthy Korean groups to raise money abroad would lower their capital costs and release funds at home. Foreign capital providers would also be likely to impose stricter disciplines on Korea's sprawling conglomerates, which have long been encouraged by easy credit to diversify recklessly into unrelated businesses.

Korea's difficulties, if properly managed, offer an opportunity to institute much-needed economic change. That will call for political firmness and courage. But flunking the challenge can only delay a solution to the country's financial problems – and may make them very much worse.

Taxing business

European companies beware: government wants more of your profits. In both the UK and France in recent weeks, finance ministers anxious to reduce budget deficits have increased the tax burden on the corporate sector. Other states may be tempted to follow, as the pressure mounts to meet the Maastricht criteria for public finances. Governments see taxing business as a softer option than inflicting obvious pain on voters by reducing spending or raising personal taxes. But they should resist the temptation: increasing taxes on business will damage industry's competitiveness, impair economic growth and cut the incomes of the same voters whom politicians claim to protect.

In Britain, the increase in business taxes announced in the Budget is contained mainly in windfall taxes on utilities and in the abolition of tax breaks on the dividend income of pension funds. These two imposts will raise more money than the chancellor gave away by reducing the headline corporation tax rate from 33 per cent to 31 per cent. In France, the government was more direct – the main corporation tax is going up from 36.6 per cent to 41.6 per cent.

Both Mr Gordon Brown, the British chancellor, and Mr Dominique Strauss-Kahn, his French counterpart, rejected calls from industry to impose at least some of the extra burden directly on individuals. But the truth is that any tax on companies is ultimately a tax on individuals, whether as shareholders, employees, pensioners or consumers. The impact is felt through reduced returns on investments, lower pay, smaller pensions and higher prices. The effects are disguised, but they are nonetheless real.

Moreover, taxing companies instead of individuals introduces a serious bias against growth into the economy. Companies generally invest a higher proportion of their income than do individuals, so increasing the tax burden on them tends to reduce productive investment.

Aware of these arguments, European governments have mostly cut business taxes over the past decade, except in Germany where business has been asked to bear a share of the costs of unification. However, the UK and France may have now set dangerous precedents. Also plans in Germany and Italy to cut business taxes have got bogged down in political arguments. It would be a pity if pressure to meet the Maastricht criteria for European monetary union now brought increases in business taxes. Few politicians are immune to the temptations of sparing voters at the expense of business. But political expediency carries a serious economic price.

Credit for work

A report published today by the Institute for Fiscal Studies shows that inequality in the UK has reached unprecedented levels. The IFS is pessimistic about the chances of change for the better. Mr Gordon Brown, the chancellor, is pinning his hopes of making a difference on tax and benefits reform.

He has asked Mr Martin Taylor, the chief executive of Barclays, who is heading the tax-and-benefit review, to assess the case for introducing an "in-work tax credit", in time for the next Budget. The idea has merit, but will be tricky to implement.

Mr Brown has taken his lead from the US earned income tax credit (EITC). The EITC has proved a popular way to support poor working families, and make work more attractive as the earnings potential of those at the bottom has declined over the last 25 years.

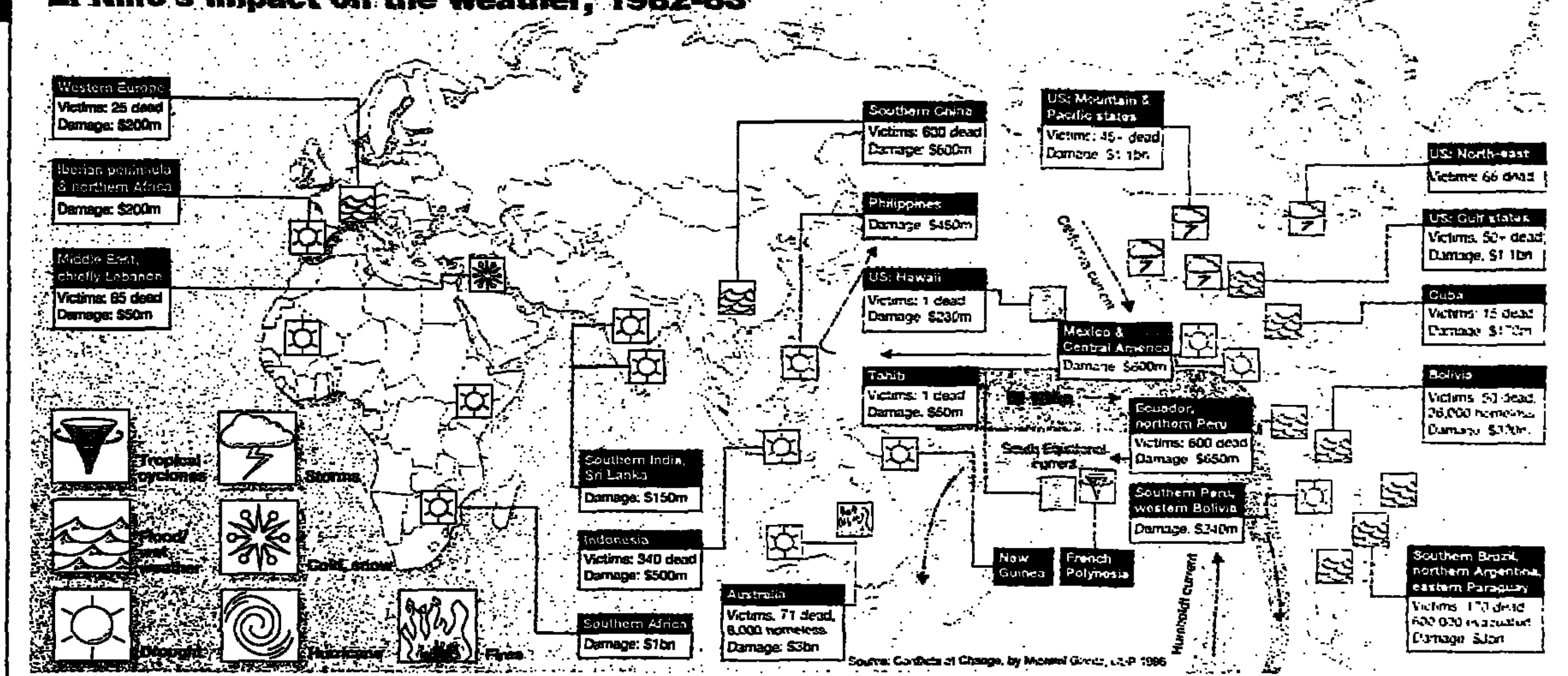
A similar credit in the UK would swallow up the Family Credit benefit. Mr Taylor must assess the advantages of paying in-work transfers through the tax system. Replacing separate taxation and benefits with one system could help reduce the uncertainty consequent upon taking a job, smoothing the transition to work from the security of welfare.

A tax credit also avoids the stigma associated with a means-tested benefit. This should increase take-up rates and its structure would allow gentler withdrawal, minimising the disincentives for people to earn more. The administrative costs of a tax credit should also be less than for a welfare payment.

However, the EITC is paid mostly as an annual tax rebate. This works in the US, where everyone files tax returns, but in the UK only one-quarter of taxpayers do so. There would be implications for the way tax is calculated: the tax credit would have to be assessed, like welfare payments, on the basis of households rather than individuals – effectively reversing the move to independent taxation of husbands and wives introduced in the 1980s. Higher take-up would also mean a bigger bill for the exchequer.

For Mr Brown the politics of the switch are decidedly attractive. Replacing a social security payment with a tax credit, which is offset against revenue, would help the government keep to its tight spending limits, though not its borrowing target. In the longer term, reform could well help the government shore up middle Britain's support for transfers to the poor. Increasing the number of people on welfare is unpopular. But everyone participates in the tax system and benefits from allowances. The question Mr Brown must answer is whether the eventual gains would be worth the administrative upheaval.

El Niño's impact on the weather, 1982-83



Awash in a sea of troubles

Staple commodity-growing regions could be devastated by El Niño weather systems, if forecasters are right, says Gary Mead

Peace and goodwill to all may be in short supply this Christmas, if some long-range weather forecasters are to be believed. There is a growing consensus among meteorologists that one of this century's potentially most serious El Niño weather systems is gathering force. If their predictions are correct, its impact on some of the world's most important staple commodity-growing regions could be devastating.

El Niño, Spanish for The Christ Child, is shorthand for an irregular appearance of warm sea surface-water in the central and eastern Pacific Ocean off the western coast of South America.

It frequently coincides with Christmas, but has made an earlier-than-usual entrance this year. Off the coast of Peru the surface temperature of the Pacific has suddenly risen by more than 5°C. The last serious climatic disruptions associated with El Niño, in 1982-83, caused an estimated $13.6bn of damage to crops and livelihoods, according to estimates by the National Oceanic and Atmospheric Administration of the US.

Mr Michael Glantz, programme director at the National Centre for Atmospheric Research in Colorado, is one of several scientists who believe that El Niño is associated with unusual changes in global climate patterns. There are, he argues, correlations between El Niño and summer droughts in northern Australia, south-east Africa, north-east Brazil, parts of Asia and central America. It may also be linked with much wetter, milder winters in the northern hemisphere.

This year, El Niño is "building up to be at least as big as the 1982-83 event", says Mr Ants Leetmaa, director of the Climate Prediction Centre for the National Weather Service in Washington. "Satellite and ship-borne data tell us that the Pacific's temperature rose earlier this time round."

Some parts of the north-western US have had rainfall 200 per cent above normal for the time of year. Thailand and northern India are very dry, and Australia has had abnormally low rainfall," he says. "The really nasty effects will start to come through from October."

The catalogue of potential damage to commodities is growing by the day. A record 20m ha of arable land is now seriously affected by drought in the north of China. In the south of that country, 4.4m ha have been flooded, threatening the grain harvest.

Indonesia, the world's biggest producer of robusta coffee beans, is suffering severe drought; the harvest could be 25 per cent below expectations. Global cocoa production is also likely to be hit, with some analysts forecasting a drop of 10 per cent.

In Australia, already in the grip of a serious drought, wheat futures for January and March 1998 rose by A$5.50 a tonne on the Sydney Futures Exchange last week because of the El Niño scare. In Thailand, the national sugar cane board predicts that the 1997-98 crop could fall by as much as 15 per cent.

Not all the news is negative. "When anchovies disappear off the coast of Peru because of warmer waters, other fish species are attracted," says Mr Glantz. "The Chileans seem much better able to adapt their fishing fleets to this than the Peruvians. They're already shifting their fleets further north to be ready for the different types of catch."

Other commodities could also benefit. Mr Simon Wilson, a director with Sabre Fund Management, a UK-based commodities recovery fund, says soya bean prices may benefit. "El Niño affects parts of the world where palm oil and fish oil are big crops. People look for substitutes and soya-bean oil has had very strong bull markets driven by past El Niño events."

Tropical commodities may be adversely affected. "Commodities such as coffee and cocoa would be disrupted," says Mr William O'Neill, senior futures strategist and head of research with Merrill Lynch. "Malaysia and Indonesia, as well as west Africa and south America, will be impacted by this. I think there has been a little bit of El Niño mania that has hit some futures markets, the recent cocoa bull run being an indication of that," he says.

"This is certainly one of the strongest El Niños since 1982-83," agrees an analyst at Goldman Sachs. The US investment bank argues that the outlook is fairly bullish for US soya-bean exports to a South America hit by lower grain production.

But more important is the potential for severe damage to the corn crops of Indonesia, Thailand, Latin America, and sub-Saharan Africa. This could reduce world supplies by up to 10m tonnes: 1.5 per cent of projected world consumption.

Such disruption aside, Mr Glantz believes that each El Niño event provides an opportunity for acquiring a longer-term understanding of how to avoid natural catastrophes. "I've been getting phone calls from insurance companies, squid dealers, fishmeal traders in Paris and coffee dealers in London," he says.

"The problem is that they always come knocking when the roof is leaking. They should be seeking not just short-term quantitative information but qualitative understanding. Look at where you grow your coffee; does it coincide with a regular El Niño drought? Then maybe you should be thinking of growing it elsewhere."

Commodity-trading nations and commodity traders are unlikely to take such a long-term view. For the moment, they will be hoping that El Niño simply fades away. Asked what the likelihood is of this happening, Mr Leetmaa replies: "About zero I guess. This one is already in the history books."

Path of an ill wind

El Niño is already beginning to hit the economies of the Andean countries of South America where surface ocean temperatures are 5°C above seasonal norms.

Catches by Peruvian fisherman are falling. The anchovy and Pacific sardine they normally target are moving offshore to colder waters out of the range of their small boats. Since these fish are the raw material for Peru's fishmeal industry – responsible for about 15 per cent of the country's export earnings – the impact on the Peruvian economy could be significant.

Drought will also affect Peru's electricity production, since a large percentage of power is hydro-generated. Thermal electricity capacity has increased, but the energy produced is relatively expensive.

A report from the national manufacturers' association estimates that the warmer weather – by discouraging people from buying heavy clothes – could cost the textile and garments industry $460m (£275m) through lost sales this year alone. This could reach $900m if the effects continue into 1998 and lead to 30,000 job losses, the report says.

The last El Niño, from 1991 to 1994, was unusually long. The most damaging on record was in 1983, when it brought havoc to Andean agriculture and fishing and caused a 12 per cent slump in Peruvian output.

In Colombia, Mr Pablo Leyva, head of the Institute of Hydrology, Meteorology and Environmental Studies (Ideam), expects this El Niño to be moderate to strong.

The catch on Colombia's Pacific coast has fallen this year and the institute estimates it will be 20 per cent below normal. Data for the past 16 years suggest that crops will also be affected, with a drop of about 5 per cent in harvests.

Reservoirs in Colombia's Andean and Caribbean regions will be down by at least one fifth, affecting both hydro-electric plants and water supplies to cities. This could increase the likelihood of some diseases such as cholera.

In 1992, the combination of El Niño and a high dependence on hydro-electric power led to electricity cuts of up to eight hours a day. As in Peru, new thermal power stations have been built and Mr Carlos Conte, vice-minister of energy, says there should be no problem for the next 18 months. More thermal capacity is due on stream within the next year and electricity management has improved, he says. But the comptroller general's office is less optimistic about energy capacity should El Niño caused prolonged drought.

El Niño is affecting other countries too. In Bolivia, exceptionally low temperatures are being recorded. In Ecuador, where there are also worries about electricity rationing, floods on the Pacific coastal lowlands have affected some of the country's main cash crops.

There have also been serious effects on coastal fishing, though – as in northern Peru – shrimp catches are up because of the warmer water. Heavy rains have damaged roads in the Andes.

But unlike the proverbial ill-wind, this current doesn't bring bad news for everybody. In Chile, rains have brought flooding to many parts of the country – but they have also ended an severe drought. That was good news for the electricity generating companies, which represent a significant part of the stock market. As their reservoirs filled, the stock market rallied.

Sally Bowen
Sarita Kendall
Stephen Fidler

· OBSERVER ·

Mayor backs Fox hunt

■ It was ugly while it lasted. Ted Turner, vice-chairman of Time Warner, was moved to call Rupert Murdoch slimy – and a lot worse; Murdoch's response included a battery of law suits. But now peace has been declared, and – almost – everyone is happy.

Time Warner has finally agreed to give Murdoch's Fox News desperately needed access to its cable system in New York City, as well as a broader presence around the country. In return, Time Warner is likely – among other goodies – to gain a foothold on Murdoch's global satellite broadcasting systems.

To no one's surprise, the peacemaker turns out to be New York mayor Rudolph Giuliani. Fox News will initially be broadcast over one of the city's public service and education channels, which the mayor has turned over to Time Warner for long enough to get the show on the road. The explanation? Jobs are at stake, New York wants to be the media capital of the universe – that sort of thing.

Disappointing, then, that some small-minded critics have seen fit to damn the deal as a piece of tawdry political manipulation – just because the mayor is up for re-election in the autumn and Murdoch's New York Post has been one of Giuliani's most rabid supporters: one rival newspaper unkindly suggests the Post's masthead "is creaking under the weight of Friends of Rudy."

But surely this is no reason for the New York Times to condemn Murdoch's "brazen use of his media outlets on behalf of his favourite politicians" or to suggest that "placating Murdoch this way will only reinforce some of the worst tendencies in journalism and politics"? Perish the thought.

Burma bother

■ Burmese Foreign Minister Ohn Gyaw's performance at the current session of the Association of Southeast Asian Nations in Kuala Lumpur has, by all accounts, been a disaster.

With Burma attending for the first time as a full Asean member, Ohn Gyaw left US secretary of state Madeleine Albright open-mouthed in denying there were any political prisoners in his country. Albright told a closed-door meeting of 21 Asian and European foreign ministers that his statement didn't bear any resemblance to reality and was "a bit fictitious".

He also managed to embarrass Australian foreign minister Alexander Downer by denying the two had discussed human rights in a bilateral meeting after Downer said they had. Downer called Ohn Gyaw on the telephone and offered him some choice, unprintable words. Burma's man even irked the normally soft-spoken Japanese foreign minister Yukihiko Ikeda who said he was "irritated" at the time it was taking the military junta, of which Ohn Gyaw is not a member, to write a new constitution. Says one senior Asean official: "The unhappiest man in the room was Ohn Gyaw. I think he will soon become a liability." Whether that's for Burma, the country's military government, or Asean, the official didn't make clear.

Quick hands

■ The union flag may have been lowered at Government House and the Queen's image erased from stamps and coins, but bits of Hong Kong colonialism live on. Indeed, the Hong Kong Sevens rugby tournament has been given a new lease of life, courtesy of thrusting pan-Asian merchant bank Peregrine Investments.

Hongkong Bank and Cathay Pacific, two venerable faces of the old establishment, last year gave up sponsoring the beery ritual. Many predicted the annual rugger fest would anyway expire as expatriates packed their bags for Blighty.

But Peregrine has other ideas: not content with merely sponsoring the event, it's putting more than $500,000 in prize money on the table to add an extra "competitive element" to the proceedings. Founder and chairman Philip Tose, who looks anything but a prop forward type, reckons there are strong similarities between Peregrine and the tournament. Both, he claims, represent "the best of Hong Kong – fast-moving, agile and truly international". Let's hope he doesn't get flattened in the scrum.

Pepper weight

■ California's very own version of the swordstick, once the deadly elegant accoutrement of any strolling gentleman, is being promoted in Los Angeles as the essential accessory for the modern, safety-conscious jogger.

"Counterstrike" comprises a brace of hand-weights – runners carry them to firm up arm muscles and other upper-body parts – with canisters of pepper spray concealed in the handles.

"It's like jogging with a cop," claims the package and at $19.95 it's certainly a whole lot cheaper than hiring one of those armed guards favoured by more nervous keep-fit fanatics. Of course, old LA hands still prefer jogging with a pair of .45 Magnums. Now that's heavy.

The Financial Times

100 years ago

The Yukon Goldfields
Ottawa: The Cabinet is still holding special sittings to deal with the Yukon question. So far it has been decided not to attempt to enforce the law against aliens in the mining country, but a considerable royalty will be imposed on the product of the placer mines. Eighty more police are to be sent to the gold region, making 100 in all. Communication with the fields will be opened up as rapidly as possible, and regular mail routes will be established. *Washington:* The Government will immediately establish a military post in Alaska near the goldfields. The shipping offices at San Francisco – even those which have the remotest relations with Alaska – are thronged with would-be passengers, including hundreds of women.

50 years ago

Indonesian Fire Threat
Plans to transform 500 important rubber, quinine, tea and coffee plantations in Western Java into "roaring oceans of fire" are complete. Mr Soeparna, secretary of the Plantation Workers' Union, announced by radio today as the Dutch claimed the capture of the strategic north-west port of Tegal on the Cheribon Semarang Railway – a week after the start of the Java fighting.

FINANCIAL TIMES
Monday July 28 1997

US and EU hand over diplomatic lead

Asean faces test over turmoil in Cambodia

By Ted Bardacke and James Kynge in Kuala Lumpur

Burma's foreign minister U Phn Gyaw at the Asean forum

The US and European Union have dropped their long-standing objection to the Association of South-East Asian Nations' policy of "constructive engagement" towards Burma, and have handed the regional group the lead in diplomatic efforts to resolve the political turmoil in Cambodia.

The mandates will be a test of Asean's regional influence as its expands and tries to maintain its policy of non-interference in the internal affairs of member states. "It's not a victory," said a senior south-east Asian official who said the decision gave Asean a heavy responsibility.

Bilateral pressure from the US and EU towards Burma, which has resulted in the withdrawal of several multinationals from Rangoon, is unlikely to slacken. However, yesterday's decision means that the west will ease pressure on Asean over Burma, which joined the regional group last week amid embarrassment over its human rights record.

The decision to entrust Asean with two diplomatic initiatives was made yesterday in Kuala Lumpur at the 21-member Asean Regional Forum (ARF), which includes the nine members of the regional group along with the US, the EU, China, Japan and Russia.

"Now that Asean has taken in Burma – and Burma is unique in Asean, uniquely repressive – it seems to us that Asean should...try to find a way to moderate the behaviour of the government and encourage a dialogue with [opposition leader] Aung San Suu Kyi," said Mr Nicholas Burns, US State Department spokesman. "That seems to be self-interest as well as a responsibility."

The ARF "commended" Asean's efforts in Burma, which have focused on engaging the military government mostly on economic issues and rejecting western nations' confrontational stance.

Asean officials said their priority was to ensure the situation in Burma did not deteriorate. They said it would take several years before any substantial political progress was made, particularly with regard to development of a new Burmese constitution.

Some western officials doubt whether Asean will achieve success in either Burma or Cambodia because of Asean's belief that it would only play a mediating role if it was welcomed by all sides.

Asean remains confused as to whether Mr Hun Sen, who led this month's coup in Cambodia, has accepted the group's intervention. Last week he invited Asean to mediate after earlier rebuffing its efforts.

There is consensus that Mr Hun Sen must respect the constitution and hold elections next May.

Observer, Page 15

GM vote brings staffing dispute close to resolution

By John Authers in New York

General Motors, the largest US motor company, appeared yesterday to have averted severe disruption to almost all its North American assembly plants after members of the United Auto Workers union in Warren, Michigan, voted on a settlement to a local strike over alleged under-staffing and health and safety risks.

GM had already announced work stoppages for 16,500 employees at six other plants in the US and Canada as a result of the dispute, which started on Tuesday.

Although only 2,800 workers at the GM Powertrain Group plant in Warren were directly affected by the strike action, the impact of a stoppage would have been severe. The Warren plant provides transmissions, wheels and suspension parts for all but one of General Motors' North American assembly plants.

Concern about the dispute last week dented GM's share price, which fell almost 2.5 per cent to $56⅝ on Friday.

Analysts had drawn parallels with an 18-day strike last year in Dayton, Ohio, where a dispute at two brake plants forced the company to shut 26 of its 29 North American plants at a cost of about $900m.

The dispute at Warren is over purely local conditions and working practices, and has not affected the three-year national contract signed by the company and the union last year. The Powertrain plant was one of 10 where there was still no local agreement.

The union claimed under-staffing had caused health and safety problems at the plant and said it had won important concessions after its "tentative agreement" with the GM management was announced late on Friday.

Mr Al Benchich, president of the union branch involved, said: "This contract addresses a lot of our concerns, especially on the manpower issue. We have some good resolution there."

Workers were expected to ratify the deal yesterday, although some said they were more concerned about safety and the risk of injury than about extra pay.

By the end of last week, GM had announced stoppages at Michigan facilities in Buick City, Orion Township and Lansing, affecting a total of 11,300 employees.

China Southern offer raises $631m

Continued from Page 1

However, analysts warn that the pricing puts China Southern on a higher p/e multiple than Cathay Pacific, Hong Kong's de facto flag-carrier, which could deter investors from pushing the share price higher over the medium term. There are also safety concerns following a crash of one of its aircraft earlier this year.

China Southern was among the earlier H-share candidates to win China's approval for an overseas equity issue, but saw its flotation delayed for restructuring.

Proceeds from the shares issue will be used to buy new aircraft and equipment, and to pay down debt.

Europe's banks to draft code for loans sell-offs

By Edward Luce

Plans by European banks to develop an American-style secondary market in bank loans will receive a boost in the next few weeks when the banks draw up their first agreement on self-regulation.

The move, which follows the creation of the Loan Market Association last year, is expected to be followed by an agreement on "codes of conduct" for trading syndicated loans.

Banks will need to get the agreement of borrowers before selling off their loans in a secondary market, meaning that contracts include a clause allowing a bank to transfer the loan to another lender.

Senior officials at the LMA, which includes more than 100 of the world's largest banks, say expected agreement on how the market will operate will boost the competitive position of banks on their syndicated loans business, which offers increasingly low margins. "The mantra of banks nowadays is to boost their return on capital," said one LMA official. "The creation of a secondary market for loans will enable banks to make their capital work harder."

Europe's syndicated loans market was worth $635bn in the first half of this year. Senior bankers say the emergence of a secondary market will make it easier for banks to sell packaged loans to such third parties as other banks and institutions and even corporate treasury departments. This will boost the liquidity of the syndicated loan market in Europe and enable banks to diversify their risks and undertake portfolio management more effectively.

"Banks will be able to get assets off their balance sheets and free up capital for other uses," said one banker.

Others, however, caution that progress among the LMA's members is unlikely to stimulate the rapid development of a market in other people's debt. At just £5bn in the first quarter, turnover in Europe's fledgling secondary market is just a fraction of its counterpart in the US.

European borrowers, especially corporations, are thought to be reluctant to put an end to traditional "relationship banking". This would pose an obstacle as consent of the borrower is required to allow the transfer of debt.

Bankers are encouraged by Imperial Chemical Industries allowing transferability on a $8.5bn loan it took out to buy Unilever's speciality chemicals business. About $1bn has already been sold to third parties in the secondary market.

Default rate falls, Page 17

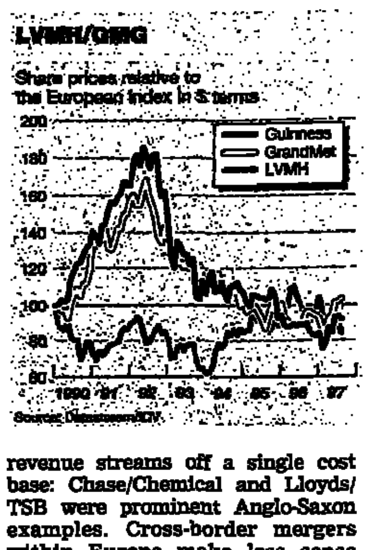
THE LEX COLUMN

Luxurious investment

LVMH's shareholders should be grateful to their chairman, Mr Bernard Arnault. He may have demonstrated a phobia for conglomerates in his approach to a proposed merger of Guinness and Grand Metropolitan (GMG). But LVMH has shown that with aggressive and astute management, conglomerates – it straddles perfume, luggage, retailing and drinks – can trade at substantial premiums to break-up value. And while LVMH shares underperformed its rivals' during the 1990s in dollar terms, over the past five years they have delivered good returns by any standards.

But it is harder to see why investors should be delighted by Mr Arnault's foray into GMG shares. True, the GMG proposals left his Moët Hennessy drinks business out in the cold. And having now built up the largest single stakes in both Guinness and GrandMet, MH can no longer be ignored and it has the opportunity to join the party on better terms. But does it really make sense to protect a £2bn ($3.34bn) investment in MH by investing nearly £3bn in GMG?

At least the precedents are auspicious – Mr Arnault got the better out of his last negotiations with Guinness, back in 1994. As long as some kind of giant drinks merger is completed, he should be able to show gains from his new investments. And LVMH has a strong enough balance sheet to pay for them. But the stakes have become very high. Premium conglomerates depend on the ability of the central deal-doer to deliver, and the penalty for failure is a discount to break-up value. In the case of LVMH, the downside would be considerable.



European banks

Has the era of European bank restructuring finally dawned? For a few moments last week, it may have seemed so. Two Bavarian banks, Bayerische Vereinsbank and Bayerische Hypo-Bank leapt into each others' arms. And Mr Rolf Breuer, Deutsche Bank's chairman, put the cat among the pigeons by hinting that he might consider a French acquisition.

The case for restructuring is clear enough. Most banks in France, Italy and Germany only make single digit returns on equity and markets remain extremely fragmented. But whether anything much will happen soon is doubtful. The most lucrative mergers are those which allow the parties to leverage two revenue streams off a single cost base: Chase/Chemical and Lloyds/TSB were prominent Anglo-Saxon examples. Cross-border mergers within Europe make less sense because there is little overlap. Even within countries, restrictive social legislation makes it difficult to extract merger benefits by cutting staff.

Will European monetary union be the catalyst for change? Quite possibly. It will increase transparency and thus cross-border competition. This will drive down margins. At the same time, there will be revenue losses in areas like cross-border payments and foreign exchange. This combination will defeat the weaker banks, forcing them to seek security in larger combinations. But customer inertia and the social backdrop will remain an antidote to any quick restructuring.

Japanese equities

The Japanese pride themselves on being different. As far as their stock market goes, this is nothing to celebrate. While share prices around the world are booming, the Nikkei 225 has underperformed the FT/S&P world market index by nearly 30 per cent in the past 12 months.

Renewed concern about the weakness of the economy is partly to blame. A decline in business confidence and a sharp rebound in inventories over the past two months suggest that domestic demand remains weak. Meanwhile, the recent recovery of the yen will dampen exports. This is starting to affect corporate profits. Brokers are paring back expectations for earnings growth this fiscal year to between 7 and 10 per cent – compared with 17 per cent on average in 1996/97.

A third worry for equities is an adverse shift of the supply/demand balance. This October will see the Y675bn ($5.87bn) privatisation of JR Tokai railways, the biggest new listing since the badly-managed flotation of JR East in 1993. There is little sign of homegrown demand to soak this up: the Japanese have set new records for overseas stock and bond purchases since April.

On fundamentals, the market now looks cheap. A prospective price/earnings ratio of 38 times is low by historic standards. And the valuation to bonds is certainly attractive, with the ratio of the bond yield to the earnings yield at a low of 1.0 times. But just as overvalued stock markets elsewhere need a trigger to fall, the Nikkei is still looking for an excuse to rise.

Fixed/mobile telecoms

The long-predicted convergence between mobile and fixed communications is finally occurring. And the message is that it can happen in one of two ways: mobile operators can invade the fixed networks' turf, and fixed operators can offer mobile services.

At its simplest level, convergence is little more than packaging the two types of service. Such bundling, which brings advantages such as single bills, is already common in the US. Vodafone is on the point of doing the same in Britain via a deal with Energis. While the move may turn the heat up on British Telecommunications, it is mainly defensive. Vodafone's priority is to hang on to its best mobile customers, which produce much fatter margins than anything it could hope to earn from reselling fixed services.

So long as convergence is merely a matter of bundling, Vodafone can probably give as good as it gets. The worry is what happens if BT and Cable & Wireless Communications integrate their fixed networks with their mobile affiliates, Cellnet and One2One respectively. Such technical integration would not only produce economies of scale; it would allow them to offer customers enhanced features such as a single voice mail service for both fixed and mobile phones. Vodafone would find it hard to respond – except, perhaps, by acquiring Energis or another fixed operator.

At present, BT is prevented by regulation from taking full control of Cellnet. It would be unfortunate if, by pushing into fixed services, Vodafone encouraged the regulator to remove BT's shackles.

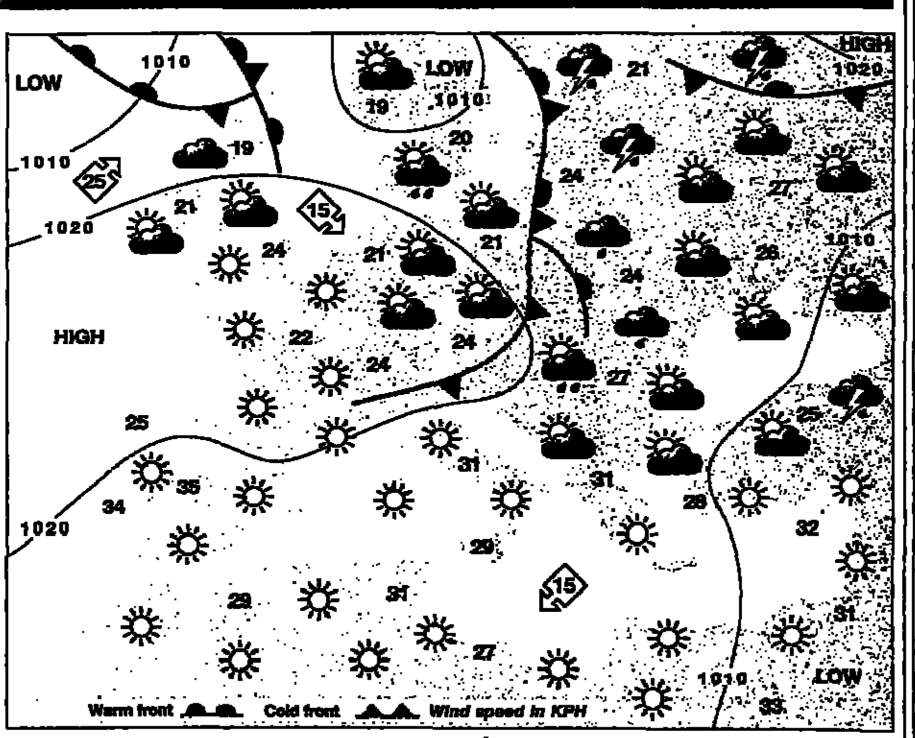
FT WEATHER GUIDE

Europe today

Scandinavia will be much cooler and more unsettled than recently with widespread showers and local thunderstorms. There will also be some thundery showers in eastern and central Europe but here it will remain warm and humid. Germany, Benelux, most of France and the southern half of the British Isles should have a fine day with plenty of sunshine and light breezes, but the northern half of the British Isles may have some rain. Most parts of the Mediterranean region will remain hot and sunny with refreshing onshore breezes during the hottest part of the day.

Five-day forecast

High pressure will bring settled conditions to most of northern and western Europe, although Scandinavia will have some heavy showers, possibly with thunder. The Mediterranean will stay very hot and sunny. It will be quite warm and generally dry over central Europe but thunderstorms may break out over the Alps.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Fair 33	Caracas	Fair 32	Faro	Sun 29	Madrid	Sun 36	Rangoon	Showers 29
	Celsius	Belfast	Cloudy 21	Cardiff	Fair 22	Frankfurt	Cloudy 23	Majorca	Sun 31	Reykjavik	Drzzle15
Abu Dhabi	Sun 41	Belgrade	Fair 27	Casablanca	Sun 25	Geneva	Fair 24	Malta	Fair 29	Rio	Fair 25
Accra	Fair 26	Berlin	Fair 21	Chicago	Fair 27	Gibraltar	Sun 26	Manchester	Cloudy 21	Rome	Fair 32
Algiers	Sun 30	Bermuda	Fair 30	Cologne	Cloudy 22	Glasgow	Showers 19	Manila	Showers 33	S. Frsco	Sun 23
Amsterdam	Fair 21	Bogota	Showers 19	Dakar	Fair 31	Hamburg	Showers 20	Melbourne	Showers 12	Seoul	Fair 33
Athens	Sun 31	Bombay	Showers 30	Dallas	Sun 36	Helsinki	Thunder 22	Mexico City	Fair 25	Singapore	Fair 33
Atlanta	Thunder 36	Brussels	Fair 21	Delhi	Showers 36	Hong Kong	Fair 32	Miami	Fair 33	Stockholm	Showers 21
B. Aires	Fair 26	Budapest	Fair 26	Dubai	Sun 42	Honolulu	Fair 32	Milan	Thunder 27	Strasbourg	Showers 24
B.Ham	Cloudy 22	C.Hagen	Cloudy 20	Dublin	Fair 21	Istanbul	Thunder 26	Montreal	Showers 25	Sydney	Sun 17
Bangkok	Showers 34	Cairo	Sun 34	Dubrovnik	Sun 27	Jakarta	Fair 32	Moscow	Fair 29	Tangier	Sun 30
Barcelona	Sun 27	Cape Town	Sun 16	Edinburgh	Showers 19	Jersey	Sun 19	Munich	Cloudy 24	Tel Aviv	Sun 33
						Karachi	Fair 35	Nairobi	Fair 25	Tokyo	Fair 27
						Kuwait	Sun 46	Naples	Sun 31	Toronto	Showers 26
						L. Angeles	Fair 24	Nassau	Fair 33	Vancouver	Fair 22
						Las Palmas	Fair 27	New York	Fair 35	Venice	Fair 27
						Lima	Fair 25	Nice	Sun 29	Vienna	Fair 25
						Lisbon	Sun 35	Nicosia	Sun 32	Warsaw	Showers 21
						London	Fair 24	Oslo	Rain 19	Washington	Sun 36
						Lux.Bourg	Fair 21	Paris	Fair 23	Wellington	Fair 12
						Lyon	Fair 27	Perth	Fair 19	Winnipeg	Sun 24
						Madeira	Fair 26	Prague	Fair 21	Zurich	Fair 22

FINANCIAL TIMES
COMPANIES & MARKETS

Monday July 28 1997

Week 31

IN BRIEF

Bergamasco sale raises $694m

Crédit Lyonnais, the troubled French state-owned bank, has sold its 56.8 per cent stake in Credito Bergamasco of Italy for L1,241bn ($694m) to Banca Popolare di Verona, Italy's fourth-largest co-operative bank. Page 18

Microsoft warns it is overvalued
Microsoft, the world's largest software company, is telling investors and Wall Street analysts that its shares are overpriced. Last week, it became the second most highly valued US company after General Electric, with a market capitalisation of more than $160bn, but warned it was ridiculous to value it above industrial giants such as Ford and General Motors. Page 19

Trading in Shorco suspended
Trading in shares in Shorco Group Holdings, which provides services to the construction industry, is being suspended today as the company announces its agreement to a reverse takeover by Peterhouse Group and Lowfields Technology Group. Page 18

Vodafone nears fixed telecoms deal
Vodafone, the UK's leading mobile phone operator, is in the final stages of negotiating a deal to offer its customers fixed telecoms services. Vodafone said it was "one month away" from reaching an agreement with Energis, the telecoms network owned by the National Grid. Page 18; Lex, Page 16

Hermes PensionStore begins business
Hermes PensionStore, a new fund manager with £1.5bn ($2.5bn) in backing from the British Telecom pension scheme, opens for business today. The company, majority-owned by South African insurer Liberty Life, aims to passively manage money for big pension funds. Page 18

Banks wait on Lufthansa decision
A decision on which banks will lead the consortium handling the sale of a further DM5bn ($2.7bn) worth of state-owned shares in Lufthansa will be announced this week, according to Germany's transport ministry. Page 19; Lex, Page 16

Mitsubishi to build Japan plant
Mitsubishi Motors is to invest Y23bn ($197m) in a new plant to produce continuously variable transmissions and direct fuel injection engines in Japan. Mitsubishi has not built a new plant in Japan since 1979. Page 18

Mexican exporters overcome high peso
Greater volumes helped several leading Mexican exporters overcome the strength of the peso and record second-quarter sales and cash flow in both peso and dollar terms. Page 19

BOC in £30m deal with ZAK
BOC, the UK industrial gases group, has won a contract to construct and operate a £30m ($50m) air separation unit and liquefaction plant in Poland for Zaklady Azotowe Kedzierzyn, Poland's third largest chemicals company. Page 18

Tokyo market to enhance attractiveness
Tokyo's stock market authorities are moving to enhance the market's appeal to investors, before the government's "big bang" programme of deregulation and expected increases in trading volumes and value of transactions. Page 19

Banking sector flatters to deceive
As UK banks prepare to post their first-half results, the sector appears to be riding high, its stock market performance leaving competing sectors in the shade. Beneath the surface, however, holes are appearing. Page 18

Companies in this issue

Galileo offering exceeds expectations

New York share issue values airline reservation system at $2.45bn

By Virginia Marsh in London

Galileo International, one of the world's three big airline reservation systems, yesterday said it had been valued at $2.45bn in an initial public offering in New York – well above early expectations.

The US-based company said the $784m offering, which will help fund acquisitions, had been priced at $24.50 a share, at the top of a $23-$25 range.

Strong demand for the stock, which is being offered for sale less than a year after rival Sabre Group Holdings, pushed up the price to $26.50 in trading on Wall Street on Friday.

Initially, the offering, which was lead managed by Morgan Stanley Dean Witter, was expected to be priced at between $20 and $23 a share. The offering is for 31.998m shares, representing close to 32 per cent of the equity.

The company was formed in 1993 after the merger of the European Galileo network with the US Covia-Apollo reservation system and was worth $1.5bn. Its 11 airline owners included British Airways, KLM, United Airlines, USAir and Swissair.

At the time, it claimed to be the first global computer reservation system group. The business has been strengthened by the fact that its owners are among its largest customers.

It provides travel agencies and other subscribers with fare information, and booking and ticketing facilities for 525 airlines. The system also covers 48 car rental companies and 220 hotel chains.

Galileo is expecting net proceeds of about $275m from the offering, rising to $387m if the underwriters take up an over-allotment option of 4.8m shares. It will use the funds to finance the purchase of three national distribution companies with which it works.

It is buying Apollo Travel Services Partnership for $700m, Traviswiss for $8m and, subject to regulatory approval, Galileo Nederland for $2m.

British Airways, the UK carrier, is among the shareholders reducing their stakes. It said yesterday it would make a pre-tax profit of £50m on the sale of 5.89m shares. This leaves it with a 7 per cent holding. Galileo's largest shareholders are United and KLM.

Shares in Sabre, Galileo's main rival, were put up for sale last October by AMR, the parent company of American Airlines. Other competitors include Amadeus, among whose owners are Lufthansa and Air France.

Shares in Sabre peaked at $33¾, after they were first offered at $27, but have since fallen, closing down $⅛ at $29⅞ on Friday.

Galileo had revenues of $1.09bn in 1996.

George Graham on the merger problems facing European banks

Europe set to remain overbanked

At first, it seemed as though the dam had broken.

When Bayerische Vereinsbank agreed last Monday to merge with Bayerische Hypobank, its closest neighbour and competitor in Bavarian retail banking, investors saw it as the first in a wave of similar mergers that would soon engulf the overcrowded German banking market.

The restructuring frenzy spread to Paris after Deutsche Bank, which had itself built up a 5.21 per cent stake in Vereinsbank, said its highest priority was growth in France.

A call warrant launched by ABN Amro Hoare Govett, which offered a geared bet on shares of 15 banks seen as likely to improve their performance through mergers or internal reorganisation, increased in value by 75 per cent in a week.

But many investors remain sceptical about the pace and extent of restructuring in continental Europe: the practical and political difficulties are formidable.

The pressures for consolidation have been growing for some time. Banks have been losing market share at the margin to low-cost competitors such as direct telephone banks or supermarkets.

At the same time, investors have begun to demand more shareholder value from continental banks. The UK banks, whose return on equity averaged 22.5 per cent post-tax last year, have set a demanding benchmark. German quoted banks, by contrast, averaged 9.1 per cent after tax, and the French just 2.1 per cent.

Bankers are also facing the problem of European monetary union. Opinions vary on how quickly a single currency will lead to a single market for banking services, but most believe that the euro will profoundly alter their industry.

This should give UK banks an opportunity. They have restructured their businesses and improved profitability far more radically than their continental counterparts. Because their shares are valued more highly, they are, from a corporate financier's point of view, ideally placed to buy cheaper banks on the Continent.

Why not, for example, take Crédit Lyonnais off the French government's hands for a song, in the expectation that its performance can be radically improved?

That is a bet UK bankers have shown no eagerness to take. Few believe they could cut jobs and close branches in France the same way they can in the UK. And without the ability to reduce costs sharply, taking on a French banking network would in the short term dilute returns to a level that UK shareholders would regard as unacceptable.

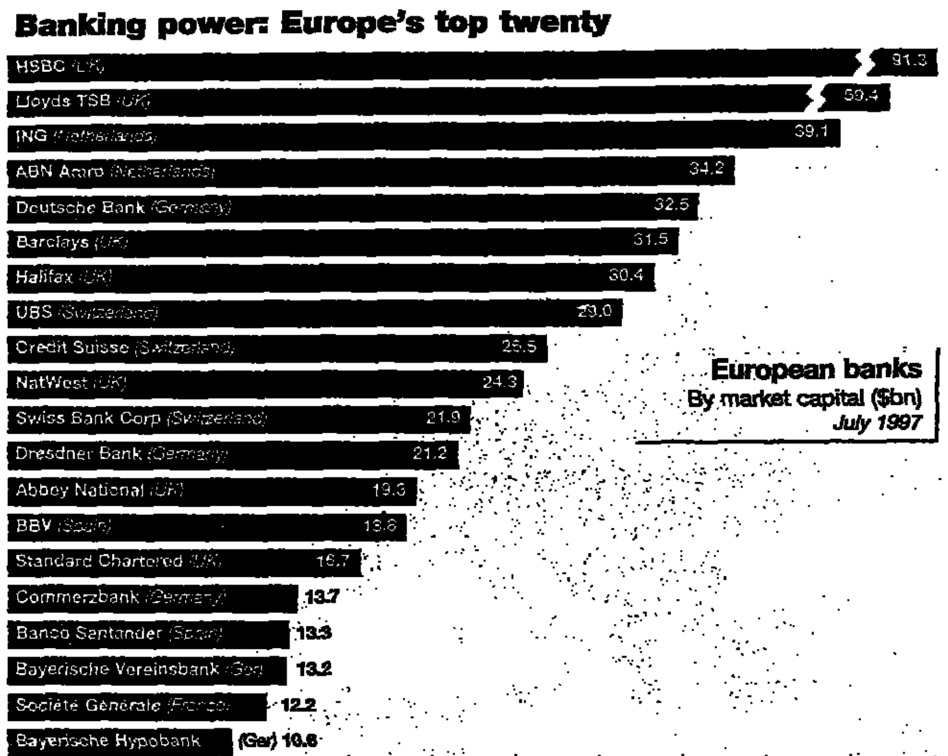
German banks such as Deutsche face no such shareholder pressures and returns from the French market are no worse than from their domestic business. But they have little surplus capital and their shares are trading at around 1¼ times net asset value, making an acquisition costly.

"Those who can, don't have a business reason to do it; and those who have a business reason, can't afford it," said Ms Claire Gouzouli of First Consulting, a banking adviser.

Over these arguments looms the shadow of the public sector. In Germany, private sector banks account for only 11 per cent of bank branches and 21 per cent of customer deposits. In France, their market share is less than 40 per cent.

So although the Vereinsbank-Hypobank merger will not be the last of its kind, the political obstacles to restructuring the German *Sparkassen* or the French *caisses d'épargne* mean that Europe is likely to remain overbanked for years to come.

Banking power: Europe's top twenty



	France	Germany	Italy	Netherlands	Spain	Sweden	Switzerland	UK
Number of banks	627	3,730	1,004	128	315	107	395	591
Bank branches per million inhabitants	445	600	397	317	893	460	1,066	339
Pre-tax return on capital 1996	9.6%	13.7%	8.8%	14.5%	17.1%	31.8%	5.0%	28.1%
Market capitalisation of quoted bank sector in each country	$42bn	$109bn	$49bn	$37bn	$68bn	$27bn	$88bn	$296bn

Sources: European Monetary Institute, Bank for International Settlements, The Banker, Datastream

Lex, Page 16
Bankers' fortunes, Page 18

Jinro units to receive $50m loan bail-out

By John Burton in Seoul

Creditor banks have agreed to extend $50m in new bail-out loans to core subsidiaries of heavily-indebted Jinro, while forcing South Korea's largest liquor group to sell two main businesses to raise capital.

The move came as a three-month freeze expired yesterday on debt payments that threatened to push the group into bankruptcy.

The banks instead will grant four main Jinro subsidiaries a grace period of six to 14 months to repay their loans, while lowering the interest rates on them. The units include spirits, brewery, food and construction businesses.

Jinro is the first beneficiary of an anti-bankruptcy programme by leading banks after several other conglomerates collapsed this year.

The banks decided to sell its retail and industrial units in a restructuring that would force Jinro to concentrate on its main distillery business. Jinro had earlier promised to sell 12 of its 18 subsidiaries to raise capital for debt payments.

Jinro's financial problems have been blamed on an ambitious diversification programme into construction, retailing and brewing over the past decade, which resulted in debts of Won3,000bn ($3.35bn), including Won1,200bn to banks and Won1,800bn to short-term financing companies and investment banks.

The banks said the new loans would be extended on condition that the family owners of Jinro hand over their shareholdings as collateral.

Bond defaults lowest in years

By Edward Luce in London

The rate of defaults on worldwide corporate bond issues has fallen to its lowest level for 15 years, according to Moody's Investors Service, the credit rating agency.

The rare combination of strong profits growth and low global interest rates kept the default rate to 1.49 per cent of all issues in the first half of 1997, against 2.89 per cent in 1996. This was the lowest rate since 1982, Moody's said.

"What we are witnessing is ideal borrowing conditions, coupled with ideal business conditions," said Mr Sean Keenan, an economist at Moody's in New York.

Among other factors, low interest rates in Europe, Japan and the US have contributed to the buoyant debt market. Lower interest rates are usually associated with higher bond prices, which reduces the cost of funding for borrowers.

At the same time, strong economic growth in most parts of the world has contributed to low rates of insolvency among borrowers and strong liquidity for investors.

In the first six months of this year there were just 16 bond defaults on some $3.2bn of publicly held bonds. However, borrowers from emerging market countries, including Thailand, South Korea and Mexico, made up 31 per cent of defaults, a high in the 1990s for emerging market borrowers.

Among these, Thai property companies Sahaviriya City and Somprasong Land both defaulted on bonds of over $100m, and South Korea's Hanbo Steel, now the focus of a corruption investigation in Seoul, defaulted on $45m of long-term debt in January.

Economists say the higher proportion of emerging market defaults reflects the increase in the number of issuers rather than any general problem with profitability.

"These figures are no reflection on the overall health of emerging markets," said one economist. "The proportion of emerging market defaults is bound to rise as emerging market borrowers make up an increasingly large proportion of the market."

Moody's says the rate of default among all corporate borrowers is almost certain to rise from the current low.

"All the risks are now on the upside," said Mr Keenan. "Economic conditions have little room to improve from here, and even marginally worse conditions could increase defaults in the second half."

Hugo Boss earnings jump 25%

By Andrew Fisher in Frankfurt

Hugo Boss, the German men's clothing company owned by Marzotto of Italy, turned in a strong first-half profits performance which beat analysts' forecasts and led to a sharp rise in the share price.

Net income rose 25 per cent to DM38.5m ($21.3m) on turnover which was 17 per cent higher at DM530m. The preference shares gained 7 per cent on Friday to close at DM2,150 as analysts upgraded their earnings forecasts.

Boss, which is bringing out a women's collection and recently opened its largest shop, on Rodeo Drive in California's Beverly Hills, said sales for the full year should be at least 10 per cent higher than in 1996.

Most of the improvement (11 per cent), came from organic growth. The dollar's rise contributed a further 2 per cent and early deliveries of winter clothing, requested by European customers, made up 4 per cent.

The company's three labels – Boss, its main clothing line, Hugo for young customers and the more expensive and elegant Baldessarini line – all produced increased sales.

The Boss label was the main contributor to turnover, with a 21 per cent rise to DM484m. Hugo sales advanced 41 per cent to DM26m and those of Baldessarini 21 per cent to DM9m.

In spite of the slack state of the German retail sector, Boss raised its domestic turnover by 18 per cent to DM197m; five percentage points of the growth rate stemmed from the early winter deliveries. Sales in the rest of Europe, excluding the effect of the earlier deliveries and acquisitions, rose 12 per cent, with increases of 9 per cent in the US and 13 per cent in Asia.

Union Bank of Switzerland raised its 1997 earnings per share estimates to DM121 from its previous figure of DM115, and to DM129 for next year. In 1996, earnings per share were DM107. Commerzbank expects DM113 this year and DM122 in 1998.

The Boss women's collection will be launched in January after the presentation of the new men's golf collection at the Cologne men's fashion show next month. Boss is also pushing ahead with further shop openings in the US, western Europe, Asia and South America.

Mobile operator's link with Energis network could mark a first in telecommunications partnerships

Vodafone prepares fixed service move

By Hugo Dixon

Vodafone, the UK's leading mobile phone operator, is in the final stages of negotiating a deal to offer its customers fixed telecommunications services.

Mr Chris Gent, Vodafone's chief executive, said he thought the group was "one month away" from cutting an agreement with Energis, the telecoms network owned by the National Grid, to sell its services.

The deal would be the first time a mobile operator has offered fixed telecoms services in the UK. It is further evidence of how fixed and mobile communications are converging.

Vodafone would offer a full range of fixed telecoms services – including voice telephony, data communications and private networks – under its own brand name.

Customers would receive a single bill covering both their fixed and mobile phones, and qualify for volume discounts on their combined usage of both types of communications. The main focus would be on corporate customers.

Although Vodafone's move is in some ways a threat to British Telecommunications, which dominates the fixed market, it is also defensive. Vodafone is worried that BT and other fixed operators will impinge on its business.

BT and Cable & Wireless Communications (CWC), the other main fixed operator, already sell mobile services but not on an integrated basis with their fixed services. That, though, is expected to change. "We could find our accounts being eroded by people offering fixed/mobile integrated services," Mr Gent said.

BT already offers customers the chance to use a single phone number for both their mobile and fixed phones. From next spring, it plans to sell a handset which could be used both as a cordless phone, linked into the fixed network at home or the office, and as a mobile.

BT has also sought to acquire the 40 per cent of Cellnet, the mobile operator, it does not already own. Currently, it is prevented from doing so by regulation. But if that changed, BT might be able to integrate its and Cellnet's networks gaining economies of scale and marketing advantages which could threaten Vodafone.

Similarly, CWC has aspirations to offer integrated mobile and fixed services. One way it might achieve this would be through closer links with One2One, the mobile operator 50 per cent owned by Cable & Wireless, its parent.

Ironically, Vodafone is keen to sell both BT's and CWC's fixed services as well as those of Energis, and is currently in negotiations with them. "We are hoping the two other majors... will let us resell their service too," said Mr Gent.

Meanwhile Energis, which has plenty of spare capacity, hopes the Vodafone deal will bring it more volume. It is also in negotiations to cut a parallel deal to sell Vodafone's mobile services to its corporate customers.

Lex, Page 16

Hermes PensionStore in ambitious launch

By Jonathan Guthrie

Hermes PensionStore, a new fund manager with £1.5bn ($2.5bn) in backing from the BT pension scheme, opens for business today.

The company, majority-owned by South African insurer Liberty Life, aims to passively manage money for big pension funds. But consultants said it faced a tough task breaking into this business, which is dominated by Barclays Global Investors and Legal & General Investment Management.

Hermes PensionStore is launching two months later than first expected. Mr Marc Hommel, a director, blamed this on regulatory delays. The company was approved by the Department of Trade and Industry in June, but did not receive authorisation from the Personal Investment Authority until last Friday.

The BT pension scheme, the largest in the country with £20bn in assets, has injected £1.5bn into the two index-tracking funds offered by Hermes PensionStore.

The first fund, IndexTracker, received £1.275bn. This aims to track the FTSE All-Share Index with a deviation of no more than 0.15 per cent a year. The second, IndexPlus, got £225m. This has the goal of outperforming the All-Share at low risk.

BT's wholly owned investment management subsidiary, Hermes, will run the two funds for Hermes PensionStore. The telephone company has a 10 per cent stake in the new business's parent, PensionStore, which sells money-purchase pension plans to individuals and companies. Another 80 per cent is owned by Liberty Life. Capital International, a big US fund manager which supplies PensionStore with active management services, holds the balance.

BT wants Hermes to sell its services to a wider market – its only client apart from the BT pension fund is the Post Office pension scheme, for which it manages £15bn. By expanding its £32bn asset base it hopes to boost revenues without greatly increasing costs.

Mr Alastair Ross Goobey, chief executive, said it was targetting the index-tracking market because: "It is growing strongly, there are fewer competitors and the costs of breaking into it are relatively low. We already have £15bn in passively managed money, which makes us one of the top three managers in the UK."

● PensionStore said it was considering setting up special ATMs allowing shoppers to pay premiums into their personal pensions and receive information on fund growth. The machines would be located in shopping centres owned by its parent Liberty life, which include Lakeside Thurrock and Gateshead Metro.

Peterhouse and Lowfields Technology deal includes £3m placing

Shorco in reverse takeover

By Chris Tighe

(l-r) Peterhouse directors David Bramwell, David Best, and Philip Brierley with David Jackson, chief executive, who is aiming for a £25m market capitalisation Picture: Guardian

Shorco Group Holdings, which provides services to the construction industry, has agreed to a reverse takeover by Peterhouse Group and Lowfields Technology Group.

Shorco's shares, which closed down 1p at 73½p on Friday, are consequently being suspended today.

The deal, the value of which has not been disclosed, includes a £3m placing of shares currently held by NatWest Ventures and 3i. The reverse takeover is intended to enhance Peterhouse's growth prospects, while offering the venture capitalists an exit strategy by a route other than a trade sale.

NatWest Ventures will exit from Peterhouse and Lowfields and 3i will halve their stakes. The enlarged group, to be called Peterhouse, will bring together a number of contracting businesses with an annual turnover of about £70m and a market capitalisation approaching £15m.

Shorco, which makes steel storage cabins and provides trench support and health and safety equipment, had a market capitalisation on suspension of about £5m.

The principal subsidiary of Peterhouse is Bradford-based Totty Construction Group.

Totty was rescued in 1989 by Mr David Jackson, who led a management buy-in and buy-out of the company in 1990. Mr Jackson is chairman both of Peterhouse and Lowfields, which he founded in 1995.

Mr Jackson, non-executive chairman of a number of companies in which 3i has a substantial stake, became deputy chairman of Shorco in April, succeeding Mr David Phillips, one of the founders, after his death.

Mr Jackson said the board's first objective was to raise the enlarged Peterhouse group's market capitalisation to £25m within 18 months to increase its attractiveness to institutional investors.

Hint of reverse in bank sector

By George Graham

As UK banks prepare to report their first-half results, the sector still appears to be riding high, its stock market performance leaving competing sectors gasping in the shade.

When the interims season gets under way this week with Abbey National and Lloyds TSB, that position should be sustained.

Loan growth has been steady but not worryingly strong. Bad debts remain at historically low levels. And margins, in spite of bleatings about the ferocity of competition, are still fat in most business segments.

Beneath the surface, however, wormholes are starting to appear.

Pre-tax profits for the nine English banks – their Scottish rivals have different reporting years – are expected to have risen in aggregate by about 16 per cent to £8.25bn ($13.8bn) in the first six months of the year.

But the picture is different if you strip out HSBC and Lloyds TSB, the two heavyweights of the sector.

If you also adjust for National Westminster Bank's turnround after an accounting loss in the first half of 1996, and for Abbey's first time inclusion of earnings from National & Provincial, underlying profits are flat or falling.

There is scope for some unpleasant surprises.

The strong pound is not expected to hurt the corporate loanbook until the second half, but it will diminish the sterling profits of HSBC and Standard Chartered, which earn most of their money overseas.

In investment banking, too, attention has focused on the problems of NatWest Markets.

However, difficulties at Barclays' BZW unit could be just as severe, especially if the bank is forthcoming about the effect of this month's budget on its equity derivatives book.

NEWS DIGEST

Bergamasco sale raises L1,241bn

Crédit Lyonnais, the troubled French state-owned bank, has sold its controlling stake in Credito Bergamasco of Italy for L1,241bn ($694m). The sale of the 56.8 per cent interest was to Banca Popolare di Verona, Italy's fourth-largest co-operative bank with assets at end-December 1996 of L28,127bn.

The French bank, which is under intense pressure to sell its European retail banking network outside France as part of its preparations for privatisation, said Bergamasco did not "correspond" to its new European strategy. It said it would remain present in Italy through its branch in Milan which had a clientele of leading Italian and foreign companies. It intended to pursue development of this market.

Crédit Lyonnais acquired the Bergamasco stake for L1,144bn in 1989 and has since merged the mainly north Italian bank with Banco San Marco, based in Venice.

Announcement of the deal, which is subject to the approval of the appropriate supervisory authorities, comes about a month after a draft report by the parliamentary committee set up to monitor the restructuring of the bank suggested that rescuing it could cost French taxpayers far more than previously estimated. The moves to unwind much of the bank's remaining retail banking network outside France represent the end of attempts, started in the early 1990s, to create a pan-European retail banking network. *David Owen, Paris*

■ POLAND

BOC in £30m deal with ZAK

BOC, the UK industrial gases group, has won a contract to construct and operate a £30m air separation unit and liquefaction plant in Poland. The plant, which will come on stream in mid-1999, will be the largest of its kind in the country. It is being built for Zaklady Azotowe Kedzierzyn, Poland's third largest chemicals company, and will supply daily 1,340 tonnes of oxygen and 1,800 tonnes of nitrogen. ZAK produces ammonia-based fertilisers, oxo-alcohols and adhesives. The plant will be built by BOC Process Plants, the group's construction arm, and will be managed by BOC Gazy, its local subsidiary. BOC Gazy, which was set up in 1993, is 88 per cent owned by BOC with the balance held by the Polish state. *Virginia Marsh.*

■ LONDON PROPERTY

C&I in Northacre joint venture

Capital & Income Group, the rapidly expanding private property company, said yesterday it was entering the residential market through a joint venture with Northacre, the upmarket developer. The venture, Northacre Capital, aims to invest in central London residential properties.

Its activities are to include development and refurbishment of residential schemes. C&I, which until now has invested only in commercial property, said the venture would give it exposure to a strong growth market while providing Northacre with extra financial muscle. *Virginia Marsh*

■ CAR MAKERS

Mitsubishi to build Japan plant

Mitsubishi Motors is to invest Y23bn ($197m) in a new plant to produce continuously variable transmissions and direct fuel injection engines in Japan. Mitsubishi has not built a new plant in Japan since 1979. Construction at Yagi, Kyoto prefecture, will start this summer and the plant will go into full production in early 1999, employing about 270 people. Continuously variable transmissions are mainly used in minicars, which are taking a growing share of the Japanese car market. *Bethan Hutton, Tokyo*

■ TELECOMMUNICATIONS

NTT wins approval for intl calls

NTT, Japan's big semi-privatised telecommunications company, has been given the formal go-ahead to start providing international telephone services through a subsidiary from this autumn. NTT Worldwide Telecommunications will initially use leased lines to offer international services to large Japanese companies, mainly for data transmission.

The move is part of a wider deregulation of Japan's telecoms market. NTT is being allowed into the international market and specialist international telephone companies are being permitted to enter the domestic market, which NTT dominates. The company is due to be split into three parts in 1999, in order to promote competition.

The ministry of posts and telecommunications attached some conditions to NTT's licence for doing international business because of its dominant position. These include separating the new subsidiary's sales operations from the rest of NTT, and not allowing NTT board members to take senior positions at NTT Worldwide. *Bethan Hutton*

■ CREDIT LINES

GB&T to sign $50m Euro facility

General Banking & Trust, a Hungarian bank bought by Russia's Gazprombank last year, is to sign a $50m, 364-day Euro-loan direct pay letter of credit facility with arranger Credit Suisse First Boston in Budapest on Wednesday. Bank Austria will act as co-arranger. The credit line will support a 364-day, $50m US commercial paper programme, also arranged by CSFB, which will be used by GBT primarily for short-term trade finance. This is the first time GBT has tapped the Euro-syndicated loan market, and the US commercial paper programme will be the first of its kind for a Central European issuer, CSFB states. *Kester Eddy, Budapest*

■ INTERNATIONAL ACQUISITIONS

UK attracts foreign buyers

Non-UK companies are stepping up acquisitions of British engineering businesses, according to figures collated by KPMG, the accountancy and consulting firm. The findings show the value of purchases of British electrical, electronic and manufacturing engineers in the first half of this year reached $1.4bn (£830m), up about a quarter on the same period in 1996. *Peter Marsh*

■ CHINA

Car insurance fraud rises

China's biggest auto insurer said fraudulent claims have grown dramatically, and as many as 20 per cent are phoney, an official newspaper reported Sunday. Fraudulent auto claims average about 5,000 yuan ($600), but can rise as high as 200,000 yuan, the China Daily said, citing figures from PICC Property Co. "About 30 fraud cases could be found every year in any medium-sized city," Mr Jia Haimao, deputy manager of PICC's motor insurance department, was quoted as saying.

PICC has 70 per cent of the Chinese insurance market and settled 1.9m claims last year, paying out more than 10bn yuan, the newspaper said. Rising fraud cases have slowed the process of paying claims, which now takes an average of 30 days, Mr Jia said. Fraud cases involve drivers who burn, blow up or push their vehicles over a cliff, report sold vehicles as stolen and try to use a single policy for multiple vehicles, according to Mr Jia. "We do not spare compensation, but we will not compensate recklessly either," he said. *AP, Beijing*

Microsoft says group's shares are overpriced

By Louise Kehoe in Seattle

Microsoft, the US software company, has embarked on a campaign to talk down its stock price.

The company, which last week became the second most highly valued in the US, after General Electric, with a market capitalisation of more than $160bn, is telling investors and Wall Street analysts that its shares are overpriced.

Microsoft is the world's largest software company – and a bellwether for the US high-technology sector, which is driving Wall Street's bulls.

Mr Steve Ballmer, Microsoft executive vice-president, said Wall Street's valuation of the company was "laughable". It was ridiculous to value Microsoft above such industrial giants as Ford and General Motors, given the short life cycle of its products and the volatility of high-tech markets.

At the group's annual meeting with financial analysts at the end of last week Microsoft's top executives tried to hammer home their message. The meeting, attended by about 150 analysts and institutional investors, heard repeated warnings of potential pitfalls, rising costs and the competitive challenges Microsoft could face over the next 12 months.

Mr Bill Gates, chairman and chief executive, spoke of rising research and development costs, which he said were expected to increase to $2.6bn, a 20 per cent jump, in the year to June 1998.

Mr Ballmer warned that the next generation of Windows software – now called Windows 98 – would not be a "blockbuster" product like Windows 95. Also, efforts to increase sales to businesses would involve expanding the salesforce and additional costs.

Mr Greg Maffei, chief financial officer, raised the spectre of saturation in the personal computer market, warning that 75 per cent of PC sales to large US companies were replacement machines which generally produced lower software revenues.

The US corporate sector was a leading indicator of trends in the broader US and world PC markets, he said, adding that the US home PC market might also be close to saturation.

"Our stock valuation is predicated on us doing a wonderful job next year, and the year after and the year after that," said Mr Ballmer. "I hope you will take to heart the challenges we face over the next few years."

Most analysts said they had not been moved by Mr Ballmer's exortations. "I didn't learn anything new," said Ms Mary Meeker of Morgan Stanley. She said she was sticking with her forecast for continued strong earnings growth in fiscal 1998.

Others suggested that Microsoft's bearish presentation was self-serving. Stock options, a big component of compensation for Microsoft employees, were priced according to a formula based on the lowest price of the shares in July. The value of options would be increased by a fall in the share price.

Microsoft insisted that its purpose was not to improve stock option values. "We are trying to set realistic long-term expectations," the company said.

However, Mr Maffei acknowledged that Microsoft would need to buy back at least 30m-35m of its own shares in the next 12 months to offset the dilutive effects of employee stock options. At current share prices that would cost between $4.1bn and $4.8bn. In fiscal 1997, the company bought back 37m shares for about $3.1bn.

A lower share price would reduce these costs, but if Microsoft's stock were to remain flat for a prolonged period the company would face "enormous pressure" to raise employees' salaries, said Mr Maffei.

Banks wait on Lufthansa decision

By Andrew Fisher in Frankfurt

A decision on which banks will lead the consortium handling the sale of a further DM5bn ($2.7bn) worth of state-owned shares in Lufthansa will be announced later this week, according to Germany's transport ministry.

However, the ministry declined to comment on a report that Deutsche Bank, Germany's biggest, would play only a secondary role in the sale, saying the choice of banks had not yet been made.

The airline and Deutsche Bank said they did not know how the decision would go. Seven banks were asked to make presentations to the ministry, which is being advised by Metzler, a Frankfurt private bank, on the sale of the 36 per cent stake.

The report, in Frankfurt Allgemeine Zeitung, a leading German daily newspaper, said Dresdner Bank – the country's second biggest, which has close links with Lufthansa – seemed likely to lead the consortium with a foreign investment bank, possibly Merrill Lynch of the US.

As well as denting the prestige of Deutsche Bank, this would be a departure from the procedure followed when government shares in Deutsche Telekom were sold to investors for DM20bn last November.

The two German banks acted as global co-ordinators with Goldman Sachs of the US. In the DM1bn sale of government shares in Lufthansa at the end of 1994, Dresdner co-ordinated the bookbuilding process in which investors' intentions are assessed in advance.

The list of banks from which the ministry will choose the arrangers and co-arrangers of the sale also includes ABN Amro Rothschild, Morgan Stanley, Union Bank of Switzerland and SBC Warburg.

Mexican exporters overcome high peso

By Daniel Dombey in Mexico City

Greater volumes helped several leading Mexican exporters overcome the strength of the peso and record second-quarter sales and cash flow in both peso and dollar terms.

Results declared late last week also showed signs of a continued improvement in domestic demand. However, net profits fell because of the effect of the strong exchange rate and low inflation on the companies' monetary holdings.

Although inflation for the year so far has been more than 9 per cent, the peso has appreciated 1.5 per cent since December 31, a development which has concerned some industrialists.

Second-quarter sales at Alfa, the steel and petrochemicals conglomerate, were 7.85bn pesos ($1bn), 6.4 per cent higher than a year ago. Its prices fell 11.4 per cent on average, since products sold on the domestic market are often linked to the dollar. Volumes rose 20 per cent.

The company increased its export revenue 4.8 per cent in peso terms to 2.1bn pesos, while domestic sales rose 7 per cent to 5.8bn pesos. Operating income was up 11 per cent to 1.4bn pesos.

Net majority income for the quarter slid 13.1 per cent to 926m pesos.

The conglomerate Desc recorded sales of 3.7bn pesos, 16.5 per cent up on a year ago. Exports jumped 44.8 per cent to $164.6m but net majority income fell 18.1 per cent to 498.5m pesos.

Cemex, the Mexico-based cement company, reported sales of 7.5bn pesos for the quarter – in peso terms 12 per cent higher than the same period last year. Measured in dollars, the increase was 22 per cent.

More than half the sales rise came from an acquisition last year in Colombia, but Cemex also saw rises of 11 per cent in Mexico and 22 in Spain, its two biggest markets.

Cemex's operating income for the quarter of 1.8bn pesos was up 9 per cent on the same period a year before. Although net profits were down 36 per cent at 1.2bn pesos, cash flow of 2.4bn pesos was up 8 per cent.

By contrast, a 4.4 per cent rise in volumes by Altos Hornos de México, steel producers, was not enough to avoid a 2.2 per cent sales fall to 2.9bn pesos. Operating profits fell 8 per cent to 472m pesos, and net income tumbled 76 per cent to 319m pesos.

The big draw for cigarette companies

Philip Morris and BAT have invested more than $2bn to upgrade their operations in Mexico

Within three weeks of each other, Philip Morris of the US and BAT Industries, the UK tobacco group, have made investments worth more than $2.1bn in Mexico's tobacco duopoly.

BAT announced on Tuesday that it was re-purchasing Cigarrera La Moderna (CLM), the cigarette maker it sold in the mid-1980s, for $1.7bn; Philip Morris spent $400m at the beginning of July to lift its stake in Cigatam, CLM's only competitor, from 29 to 50 per cent.

BAT's return to Mexico with one of the largest foreign investments ever registered in the country reflects not only the sea change in Mexico's attitudes to foreign investment, but also the country's potential as a manufacturing base for export.

In the 1980s, BAT was progressively squeezed out of the Mexican tobacco business by price controls, foreign exchange rationing and laws that restricted foreign ownership. It fell out with Mr Alfonso Romo, its local partner, and sold its remaining 45 per cent holding in 1989 for a mere $80m – in retrospect, a costly mistake.

The following year, Mexico eliminated state controls on tobacco farming and marketing. Under former president Carlos Salinas, foreign investment laws became friendlier, price controls were lifted, and constitutional reforms in 1992 allowed the private sector to become involved in agribusiness for the first time since the 1910-1917 Mexican revolution. Both CLM and Cigatam seized the opportunity to improve the quality of their raw material.

Mr Romo set up research stations in the southern state of Chiapas, and hired Yugoslav and Bulgarian technicians to work on tobacco yields and pest control. He convinced farmers to plant two tobacco crops a year instead of one, and introduced crop rotation to improve the soil.

As a result, the yield and quality of Mexico's tobacco crop improved dramatically. CLM even began producing cigars. Its San Andrés brand has been well accepted in the US.

"Mexico has the potential to produce the same quality of tobacco leaf as Cuba," says Mr Rolando Calderón, an analyst with Santander Investments.

Mr Calderón believes Philip Morris and BAT were also attracted to Mexico because of its low production costs – up to 50 per cent lower than the international average, according to industry surveys.

"The acquisitions appear directed at making Mexico an important cigarette exporter to other Third World countries, particularly in Asia," Mr Calderón says.

While Cigatam, with 47 per cent of the Mexican cigarette market, has concentrated on increasing its share of domestic sales, CLM, the market leader, has made exports a priority and now sells 22 per cent of its output abroad.

In 1996, CLM's exports earned $49m, an 81 per cent increase over 1995. Its Montana brand is a market leader in the Persian Gulf. Exports to the former Soviet Union are growing and CLM is set to develop and export brands to China. It has also reached agreement to manufacture and distribute its brands in Vietnam, whose 72m population consumes 55bn cigarettes a year.

By contrast, Mexicans are not heavy smokers. Fewer than one in four adults smoke, according to the Health Ministry, and consumption has been falling since its 1985 peak of 54bn cigarettes to about 46.8bn today.

However, analysts are expecting to see in 1997 the first real growth in cigarette sales in five years.

"By 1998," Salomon Bros says in a report, "the Mexican cigarette market should have returned to its [pre-devaluation] 1994 level and steady volume growth of no more than 1 to 2 per cent a year should resume."

Mr Calderón says: "Compared with the US and western Europe, where cigarette consumption is falling, even modest growth rates in Mexico are attractive to tobacco multinationals."

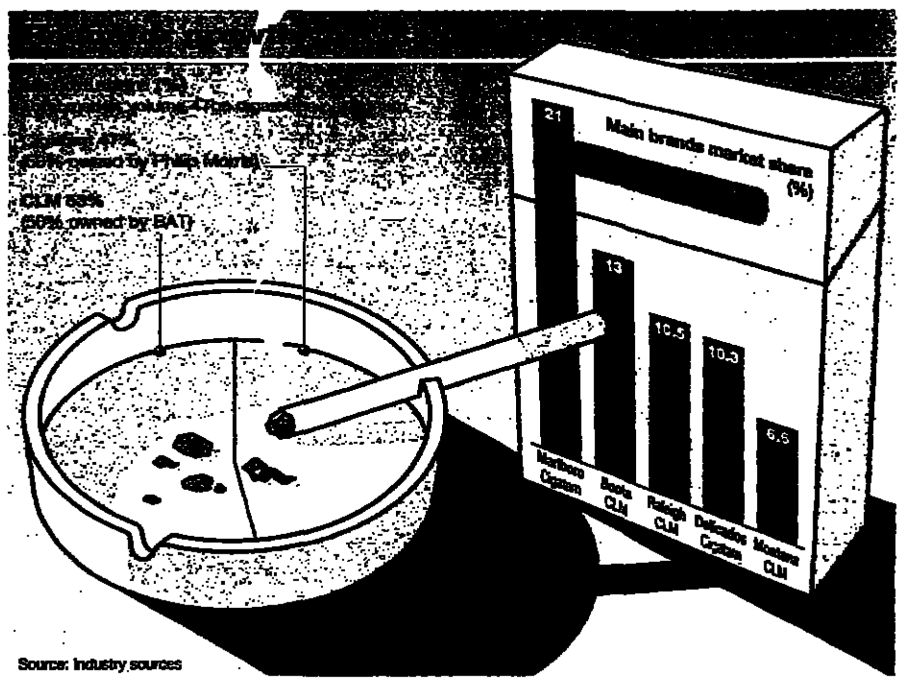
The biggest threat facing Mexico's tobacco industry is contraband from the US.

Cigatam estimates smuggled cigarettes account for 30 per cent of the market for Marlboro, as well as 7 per cent of the total cigarette market. CLM's cheaper brands have been less affected.

Cigatam says it is working with the government and Philip Morris to reduce smuggling, but weak law enforcement along the 2,000-mile US-Mexican border and the corruption of customs officials make progress unlikely in the short term.

This year, Cigatam reduced the price of Marlboro packets by 20 per cent to match the street price of smuggled cigarettes. CLM also cut prices of its more expensive brands. The price cuts have reduced sales revenues and operating margins at both companies, although analysts say these remain acceptable at about 16 per cent for CLM and 20 per cent for Cigatam.

Leslie Crawford



Source: Industry sources

TSE prepares ground ahead of its 'big bang'

By Gwen Robinson

Tokyo's stock-market authorities are moving to enhance the market's appeal to investors, ahead of the government's "big bang" programme of financial deregulation and expected increases in trading volumes and value of transactions.

Among the main changes planned by the Tokyo Stock Exchange is a separate section to be created next summer to process large-lot orders such as cross-trades which involve simultaneous placement of buy and sell orders for a single issue.

The new section will feature expanded trading hours, from 8.30am to 6pm, compared with regular floor trading hours from 9am to 3pm, and a separate online system to transfer orders from securities houses.

As a first step, the TSE will in October extend processing of large-lot orders by one hour from the close of regular trading at 3pm.

Other measures include raising the minimum trading unit of 150 issues for computerised trading and streamlining order processing to facilitate cross-trading.

The exchange will also upgrade its electronic trading network to enable member brokers to relay orders from any of their branches, instead of the current rule of accepting orders only from one branch per broker.

Securities houses, both foreign and domestic, have welcomed the proposed changes at Japan's largest exchange. Most expect big bang reforms to increase overall business, more than off-setting the loss of income from the abolition of stock-trading commissions next year.

The Osaka Securities Exchange, the TSE's main domestic competitor, is also preparing to streamline trading procedures and upgrade its computer systems. Unlike its Tokyo counterpart, the OSE trades Nikkei-225 index futures and is seeking to win business away from Singapore, the other main regional market for Nikkei-225 futures.

In the cash-stock market, however, the OSE and TSE have traditionally competed. The big bang programme has already changed that rivalry, with the introduction of individual stock options trading in Japan on July 18.

In a rare show of co-operation, the TSE and OSE developed a common stock-option trading system along European lines. Both foreign and Japanese brokers had high hopes that the new option market would revitalise the cash-stock market and lure individual investors back after last year's dismal performance.

But trading ended its first week last Friday on a dull note. Volumes were thin as institutional investors stayed out of the new market and individuals remained wary.

Analysts say many are watching the course of the new market and will move in when they see large investors channeling funds into individual options. But last week's disappointing performance prompted some to warn against "unrealistic" expections that big bang reforms would instantly generate new business and profits.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor/ Richard Waters

Rampaging bull leaves mark on Fed chief

There is a familiar saying in the stock market: if you stand in front of a rampaging bull, you are liable to end up with hoof marks all over your back.

The man displaying these bovine accessories last week was Mr Alan Greenspan. Having hinted last year that a financial bubble was in the making when the Dow Jones Industrial Average was at 6,400, what would the Federal Bank chairman say with the market over 8,000? After all, nothing much has changed in the first half of this year: the US economy keeps chugging along without any sign of accelerating inflation and the stock market keeps climbing.

Yet the Greenspan rhetoric has shifted. Now, it seems, irrational exuberance is out: instead, the Fed chairman allowed himself to speculate last week about whether the US – and the world – was experiencing "a once or twice in a century phenomenon that will carry productivity trends . . . to a new, higher track".

Has there been some sort of Damascene conversion here? Or has Mr Greenspan just learnt the lesson of would-be market timers everywhere – that lying down in front of the herd can be a painful experience, even if you are the chairman of the Federal Reserve?

Certainly, the economic and financial picture doesn't get much better. The inflation in financial asset prices has not spilled over into the real economy. Instead, deflationary pressures remain in the ascendant – thanks in part to the dollar's climb – propelling long-term bond yields back down towards 6 per cent. Corporate earnings continue to rise: second-quarter figures suggest at a rate of nearly 10 per cent, a slowdown from the beginning of the year but still nothing to be sniffed at.

This has left US market watchers reaching for their thesauruses for new superlatives to describe the investment outlook, and digging out fresh comparisons to the 1960s, though less attention has been given to the fact that the sixties were followed by the stock market graveyard of the seventies.

If bond yields stay down and earnings keep rising, this outburst of enthusiasm may be justified. But these are big "ifs".

As the accompanying chart shows, the relationship between US bond and earnings yields has bounced around in the past decade: the current ratio, of about 0.7, suggests that stocks have been getting much more expensive relative to bonds. Still, the relationship hardly looks a strain.

Having hinted last year that a financial bubble was in the making when the Dow Jones Industrial Average was at 6,400, what would the Federal Bank chairman say with the market over 8,000?

Also, if this really is the low-inflation, steady-growth sixties all over again, there may be a case for putting a higher value on corporate profits than the current 20 times prospective earnings, argues Mr Douglas Cliggott at JP Morgan.

These are alluring thoughts. The trouble is, the bond market has priced in all the good news. That leaves plenty of room for disappointment: and, since the yield ratio is looking more stretched, any fall-back in bond yields would translate pretty quickly into lower equity prices.

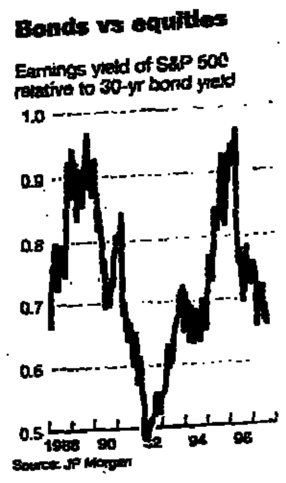
The dollar poses something of a problem here. If the currency stopped climbing, it would remove one of the main deflationary forces in the latest leg of this bull market. A fall would also put a question mark over the flow of Japanese money that has been one of the Treasury bond market's biggest supports.

Yet the strong greenback is beginning to hurt corporate America, slicing earnings from companies – those in the technology and consumer products sectors, for instance, that have led the 1990s attack on world markets. This comes at a time when some companies are beginning to show the strain from the treadmill of endless cost-cutting and productivity improvement. Take the latest flurry of strikes at General Motors, for instance: these have not been about higher pay, but about forcing workers to do more overtime, put off their vacations or take shorter bathroom breaks in the name of greater efficiency.

There has also been a detectable shift in the rhetoric of company bosses. They always pay lip service to the supposed fierceness of global competition, of course. But now, a nervous sweat is detectable on some brows as they face a squeeze on profit margins. For recent examples take Citicorp and Eastman Kodak: both have pulled off impressive revivals but each is now trying to gear itself up for another round of cost-cutting to be able to stay the course.

Despite this, corporate earnings have continued in general to match the ambitious targets set for them. Maybe the productivity miracle hinted at by Greenspan really has been in full swing.

It wouldn't pay to get carried away, though. If Greenspan was wrong to be cautious last December, why can't he be wrong this time? A bullish Fed chairman should be no less frightening a vision for the stock market than a bearish one.



COMPANY RESULTS DUE Compiled By AFX News

Sony set to benefit from yen weakness

Pre-tax profits at Sony in the first quarter to June are expected to reach Y57-80bn ($69.3m) compared with Y43.8bn last time, boosted by the residual positive impact of the yen's weakness along with strong sales of audio and visual products, analysts said. Their forecasts for Sony's first-quarter revenue range from Y1,330bn to Y1,420bn, up from Y1,170bn a year earlier.

"As it will take more time before the reversal of the yen's prolonged weakness starts pressuring Sony's earnings, the company must have experienced another quarter of earnings growth," said Mr Yoshiharu Izumi, analyst at UBS Securities.

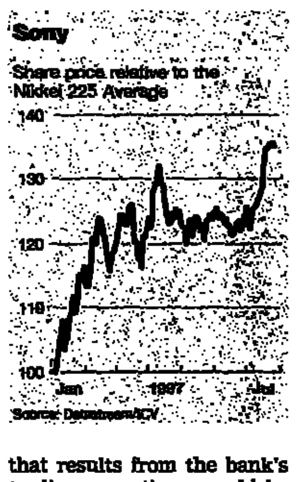
He put first-quarter pre-tax profits at Y59bn on revenue of Y1,420bn, assuming that the company was able to hedge at above Y120 against the dollar during the quarter, compared with an average hedging rate of Y110 a year earlier.

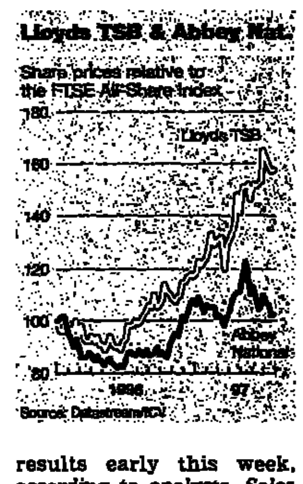
"Fluctuations in exchange rates can threaten Sony's earnings at any time, given the high level of its exposure to exports. In the case of the recent reversal of the yen's weakness, this is not likely to have any tangible impact on earnings until the third quarter to December," Mr Izumi said.

■ Banco Santander is expected on Tuesday to report first half to June net profits after minorities of Pta54bn-Pta57bn ($376m) up from Pta45.9bn a year earlier. Earnings growth will be fuelled by a continued firm performance from the group's domestic operations and by the positive impact of the stronger dollar on the bank's foreign investments, analysts said.

"Banco Santander is the bank which has benefited the most from the dollar's appreciation, with its operations in the US and Latin America," said Mr Ignacio Cornejo, analyst at Beta Bolsa.

"We'll see some further consolidation from Santander's more recent Latin American acquisitions such as Invermexico, Banco de Venezuela and Colombia's Bancokia, which will boost net interest income," Mr Cornejo said, adding that he also expected a good performance on the commissions side and from financial operations. But brokers Schroders Securities forecast that results from the bank's trading operations would be less spectacular in the second quarter.





■ BMW, the German car maker, is set to announce a first half net profit of DM400m-DM500m ($282m), up from DM335m a year earlier, when it reveals its results early this week, according to analysts. Sales in the period are expected to climb from DM25.2bn to about DM30bn.

"Like all the top three German carmakers, BMW will have benefited in the first half from the lower mark and an attractive range of models," said Mr Heinz Weyershaeuser, DG Bank analyst. These factors have enabled the company to gain market share despite a stagnating European market, a US market which only rose 1 per cent and a Japanese market which shrank 1.6 per cent in the first half, he said.

Mr Bjoern Kirchner, BNP car analyst, said the strong pound meant that BMW's UK Rover unit would have contrasting effects on sales and earnings. "Rover will have a negative effect on earnings and a positive effect on sales," he said. He expected Rover to continue posting losses this year, "although results should be better than a year ago in all of BMW's divisions".

■ First-half earnings at Pharmacia & Upjohn, the troubled US-Swedish drugs group, are expected to tumble to between 72 and 81 cents per share from 95 cents a year earlier, according a survey of 15 analysts. The average expectation is for first-half earnings per share of 75 cents, according to the survey carried out by six market estimates in Stockholm.

Analysts said they would be focusing on the progress of new products to see whether they were stemming a recent sales decline or if sales growth for those products was also slowing down. They will also be looking for currency effects and the effects of generic competition for older P&U products.

Mr Fred Hassan, P&U's new chief executive, warned earlier this month that negative sales and earnings trends are likely to continue through 1997 and that second quarter results may not exceed the first quarter figures.

■ Abbey National, which opens the UK banks first-half reporting season on Tuesday, has been steadily diversifying its revenue streams since it became the first building society to convert into a bank eight years ago. Worries now centre, however, on its core mortgage and savings business. Interim profits are expected to come in about £675m ($1.13bn) before tax, but will be flattered by the inclusion of National & Provincial, acquired last August.

■ So far this year, the banking sector has outperformed the market and Lloyds TSB has outperformed the banking sector. The reasons should become clear with the announcement on Friday of first-half profits which even the most sceptical analysts place in excess of £1.5bn, ($2.5bn) up 32 per cent on last year.

INTERNATIONAL EQUITIES

Wariness over Billiton prospect

Investors needed to be quick off the mark to secure the premium in Billiton, the metals and mining group which made its debut on the London Stock Exchange last week after its demerger from Gencor of South Africa.

Priced at 220p in the international offering, the shares opened 8½p higher when pre-allocation trading began on Tuesday, but this lasted just "minutes if not seconds", according to one investment banker, before they fell back to settle at 221p, where they ended the week. Unconditional trading in the shares begins today.

Issue-watchers said the 11-bank syndicate, led by global co-ordinators Robert Fleming and Union Bank of Switzerland, had a tough sell with Billiton, with investors wary of political risk and a steep issue price. A syndicate official described the 220p offer price, at the lower end of an initial 210p-240p range, as "market pricing" rather than "aggressive pricing".

The price valued Billiton at just under £4.6bn and raised £825m before costs. Flemings and UBS placed 97 per cent of the shares, with long-term investors accounting for more than two-thirds of the takers.

If investors are wary of mining issues, they just love airports, judging from the reception for shares of Aeroporti di Roma, the company that operates the Italian capital's two airports.

Those investors lucky enough to be allocated shares – the international tranche was 28 times oversubscribed – saw an immediate 29 per cent gain as foreign buyers sent the price soaring to L14,200 (477p) from the flotation price of L11,000 when trading began on Thursday.

Aeroporti is only the fourth airports company in Europe with a stock market listing, joining Copenhagen and Vienna airports and BAA, the UK operator. Investors "were willing in most cases to pay more than L11,000," one banker said. "There are not that many opportunities to invest in airports so it is a popular sector."

The Italian state sold 54m shares, or 45 per cent of the company, lead managed by Lehman Brothers, raising L594bn. Total demand on the institutional side was L4,900bn.

There are several factors applying to Aeroporti that make it particularly attractive, analysts said. The tourism boom is one; another is the company's "very substantial profit margins," according to one fund manager.

Some analysts wondered how long the share price would stay above the clouds. Ms Camilla Reeves at Guinness Flight Hambro said the airport sector was not cheap and its earnings growth potential was constrained by heavy capital expenditure.

Aeroporti was "very well priced," she said, adding: "There is tremendous interest in them at the time of issue and then they tend to go to sleep for some time."

Meanwhile, the flood of big-ticket European privatisation issues continued with the Spanish government's announcement of the sale of up to 35 per cent of Endesa, the country's main power group.

The sale is expected to raise up to Pta 1,000bn (£3.88bn), with 70 per cent of the shares aimed at domestic retail investors. Merrill Lynch is to be global co-ordinator for the international tranche of the issue.

COMPANY NOTICES

FT/S&P ACTUARIES WORLD INDICES

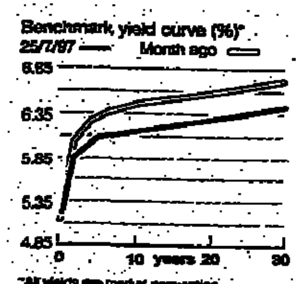
The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

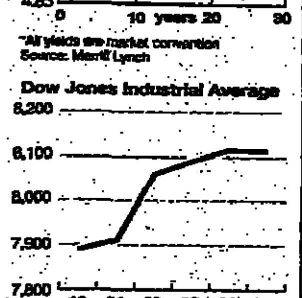
NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 25 1997								THURSDAY JULY 24 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	234.58	5.7	208.88	173.15	224.06	211.55	13.8	3.60	233.02	206.45	170.83	221.77	210.35	243.87	190.90	190.90
Austria (25)	199.21	4.9	177.38	147.04	190.27	190.14	25.1	1.73	200.41	177.58	146.92	190.73	190.61	203.31	174.70	178.00
Belgium (29)	253.84	11.5	226.03	187.36	242.45	237.50	33.1	2.88	253.73	224.80	186.02	241.48	236.57	261.11	209.39	209.39
Brazil (30)	298.06	57.1	265.42	220.02	284.70	599.66	63.6	1.24	298.12	264.13	218.56	283.72	593.64	322.44	170.26	174.45
Canada (127)	219.56	15.7	195.50	162.06	209.71	220.07	16.8	1.66	220.30	195.18	161.51	209.66	220.58	220.92	154.79	154.92
Denmark (32)	397.16	12.6	353.66	293.16	379.36	378.04	33.9	1.35	401.33	355.57	294.22	381.95	380.50	421.25	306.66	306.70
Finland (26)	305.80	24.5	272.30	225.72	292.08	349.91	47.3	1.57	305.17	270.38	223.73	290.43	345.14	314.06	190.69	190.68
France (84)	231.49	8.1	206.13	170.87	221.11	224.82	28.8	2.34	228.82	202.47	167.53	217.46	221.29	237.57	187.30	189.99
Germany (59)	232.10	22.2	206.67	171.32	221.69	221.69	46.6	1.26	233.43	206.82	171.13	222.16	222.16	237.81	170.45	170.88
Hong Kong, China (66)	538.02	6.1	479.08	397.12	513.89	534.61	6.2	2.83	539.23	477.75	395.32	513.19	535.87	539.63	407.55	412.68
Indonesia (27)	221.83	-2.8	197.53	163.74	211.88	355.19	7.4	1.83	222.27	196.93	162.95	211.54	356.57	254.90	183.62	199.19
Ireland (17)	369.99	12.5	329.45	273.10	353.39	355.50	29.9	2.74	372.69	330.20	273.22	354.69	366.09	374.84	273.46	273.48
Italy (54)	104.70	25.4	93.23	77.28	100.00	139.65	47.5	1.70	104.30	92.41	76.46	99.26	138.72	105.79	73.26	75.71
Japan (485)	136.49	5.8	121.54	100.75	130.37	100.75	6.4	0.78	136.89	121.29	100.36	130.28	100.36	150.97	107.57	147.20
Malaysia (107)	477.43	-20.9	425.12	352.40	456.01	487.18	-17.0	1.41	479.89	424.95	351.63	456.47	486.87	660.85	460.21	536.62
Mexico (27)	1716.12	40.7	1528.09	1266.69	1639.12	14679.87	39.9	1.27	1715.42	1519.84	1257.61	1632.57	14685.52	1736.93	1121.58	1129.49
Netherlands (19)	426.76	26.9	380.00	315.00	407.61	403.05	51.9	1.93	426.24	377.64	312.49	405.65	401.18	428.86	282.92	295.88
New Zealand (14)	91.66	-0.1	81.62	67.68	87.55	74.58	8.1	3.89	91.10	80.71	66.79	86.70	74.03	96.47	80.77	81.95
Norway (41)	317.81	7.5	282.99	234.59	303.55	327.57	27.9	1.88	320.23	283.72	234.77	304.76	327.72	328.60	246.04	249.53
Philippines (22)	142.87	-29.8	127.22	105.46	136.46	208.64	-23.7	1.00	142.17	125.96	104.22	135.30	203.69	214.07	138.54	200.35
Singapore (42)	388.53	-7.5	345.97	286.78	371.10	264.01	-2.5	1.16	385.89	341.90	282.91	367.26	262.92	448.01	360.08	387.75
South Africa (44)	358.12	12.5	318.88	264.33	342.05	357.32	9.8	2.39	357.66	316.88	262.21	340.39	358.43	370.12	301.49	340.25
Spain (33)	248.55	13.1	221.32	183.48	237.40	291.54	34.6	2.28	247.20	219.01	181.23	235.25	298.51	276.05	171.91	178.15
Sweden (48)	505.13	19.7	449.78	372.84	482.46	591.75	38.8	1.74	505.08	447.50	370.29	480.69	589.89	511.95	338.31	339.23
Switzerland (33)	311.67	30.6	277.52	230.05	297.68	292.50	47.3	1.15	315.12	279.19	231.02	299.90	292.56	329.59	231.89	238.90
Thailand (42)	58.22	-39.2	51.84	42.97	55.61	72.42	-34.0	4.26	57.31	50.77	42.01	54.54	71.14	151.74	47.55	148.53
United Kingdom (213)	316.73	11.8	282.03	233.78	302.52	282.03	14.9	3.56	319.06	282.68	233.91	303.65	282.68	325.28	231.61	232.51
USA (642)	380.76	26.1	339.04	281.05	363.69	380.76	26.1	1.61	381.28	337.81	279.53	362.87	381.28	391.28	256.75	256.75
Americas (826)	349.16	26.1	310.01	256.98	332.54	293.21	26.2	1.81	348.65	308.90	255.61	331.81	298.63	348.65	234.81	234.82
Europe (718)	280.04	15.9	248.36	206.70	267.47	267.94	31.1	2.40	280.84	248.82	205.89	267.28	267.36	284.44	206.18	207.06
Nordic (160)	428.13	18.0	381.23	316.01	408.93	439.98	38.0	1.67	428.95	380.05	314.47	408.24	438.86	437.88	285.21	295.56
Pacific Basin (861)	154.37	3.8	137.46	113.94	147.45	115.17	5.1	1.24	154.68	137.04	113.40	147.21	114.61	163.63	127.16	159.51
Euro-Pacific (1587)	206.83	10.9	184.17	152.67	197.55	172.62	18.6	1.89	207.35	183.71	152.01	197.33	172.17	209.12	173.55	179.21
North America (769)	370.76	25.8	330.14	273.69	354.12	370.04	25.7	1.81	371.30	328.97	272.21	353.37	370.56	371.30	250.53	250.53
Europe Ex. UK (505)	253.61	19.6	226.83	187.20	242.23	252.96	41.1	1.75	253.70	224.78	186.00	241.45	251.78	256.73	187.44	188.29
Pacific Ex. Japan (396)	309.65	-1.8	275.73	228.56	295.76	278.06	2.2	2.69	309.34	274.07	226.79	294.40	277.90	320.65	268.97	273.91
World Ex. US (1825)	210.83	11.9	187.73	155.62	201.37	179.51	18.1	1.88	211.34	187.24	154.94	201.13	179.12	212.89	176.94	190.33
World Ex. UK (2254)	260.07	18.9	231.58	191.96	248.40	232.55	23.0	1.56	260.41	230.72	190.92	247.84	232.35	260.41	201.03	201.03
World Ex. Japan (1982)	330.70	20.8	294.47	244.10	315.86	323.62	25.8	1.94	331.27	293.50	242.86	315.27	323.66	331.85	234.73	234.95
The World Index (2467)	264.97	18.2	235.94	195.58	253.08	237.30	22.2	1.75	265.48	235.21	194.63	252.66	237.19	265.77	203.79	203.79

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 128.22 (Local). Brazil, Thailand and Americas: Oct 31, 1994 = 100.44 (US $ Index), 164.07 (Pound Sterling) and 149.84 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 25/7/97: Deletions: Tambrands Inc (USA) and Telecom Italia (Ordinary and Savings Non/Cv.) (Italy). Name changes: STET (Ordinary and Savings Non/Cv.) to Telecom Italia SpA (Ordinary and Savings Non/Cv.) (Italy). CONSTITUENT CHANGE WITH EFFECT 28/7/97: Addition: Billiton (Large Cap) (UK). PLEASE NOTE: Amendments to indices 21/7/97, 22/7/97 and 23/7/97 applied to Italy, related regional indices and The World Index.

MARKETS: This Week

NEW YORK By John Authers





US bond and equity markets will have plenty of new information this week to help them assess whether last week's impressive rallies were justified.

Inspired largely by positive interpretations of Mr Alan Greenspan's Humphrey-Hawkins testimony, delivered to Congress last week, equity markets indulged in a strong rally, with the Dow Jones Industrial Average decisively breaking the 8,000 barrier it had tested the week before, and then passing 8,100. It closed on Friday at 8,113.44, having opened the week at 7890.46.

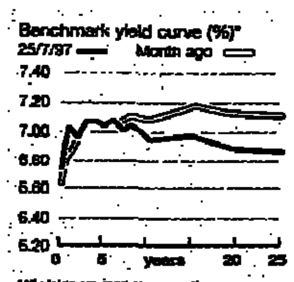
Bonds also reacted favourably to the testimony, which was generally interpreted to mean that a rate rise in the next few months could be safely ruled out. The yield on the benchmark 30-year Treasury bond declined steadily through the week, reaching 6.44 per cent, down from 6.52 per cent a week earlier.

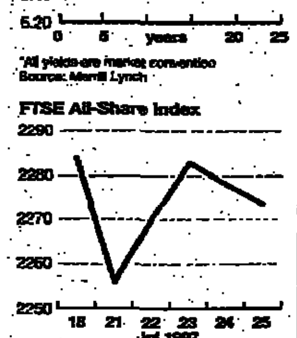
Bonds are likely to be affected by today's announcement from the Treasury on its likely borrowing needs for the final two quarters of the year. Supply factors have been influential in powering the recent bond market rally, and some analysts are looking for the government to announce a reduction in the frequency of auctions.

Tomorrow will bring the second-quarter employment cost index, a measure whose continuing subdued growth was cited by Mr Greenspan as a positive factor for the economy. The expectation is that this will continue, with a rise of about 0.8 per cent.

But attention will focus on the employment report for July, due on Friday. The market may take fright if the total payroll increases by more than 200,000.

LONDON By Peter John





Banks, which have been largely responsible for the strong performance of the UK market over the past few months, will start to show their true colours this week.

The sector's interim reporting season opens with Abbey National on Tuesday followed by Lloyds TSB on Friday. While no horrors are expected the figures may put some of the ratings in perspective.

Historically, banks run into profit-taking on the figures and the incentive could be particularly strong *this time, especially with the* former building societies. Abbey, for example, has evoked concern about its core mortgage and savings business, where it has been losing market share.

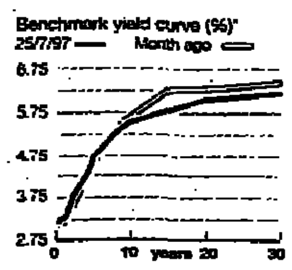
While Lloyds is expected to show profits up by more than 30 per cent from last year, questions may be asked about the potential for receiverships as exporters begin to feel the pinch of falling orders and rising prices.

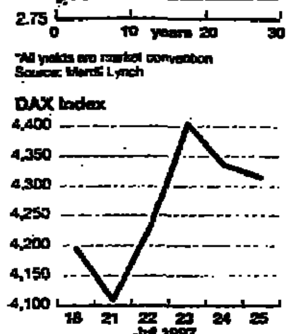
Economically, the main focus will be June consumer credit figures, due on Tuesday. These are forecast to be slightly down on the previous month's figure of £1.1bn. Some economists will interpret the dip as showing that current spending is based more on the building society windfalls than on heavy borrowing.

On the other hand, the May figure was about £400m above the equivalent figure a year ago and £300m above most forecasts.

Broadly, there will be a slight lull between last Friday's second quarter GDP data, which tended to take away some of the pressure for further rate rises, and the Monetary Policy Committee meeting next week, when a decision on rates will be taken.

FRANKFURT By Graham Bowley





The Bundesbank appeared to send a warning to financial markets last week that it might soon tighten monetary policy in a bid to stop the D-Mark's slide and cool Germany's spectacular stock market rally.

In a statement after the meeting of its central council, the Bundesbank said it was paying especially close attention to the D-Mark and to developments in financial markets. Analysts said this meant the bank could soon adopt a variable repo rate and that *interest rates might then be* on an upward course.

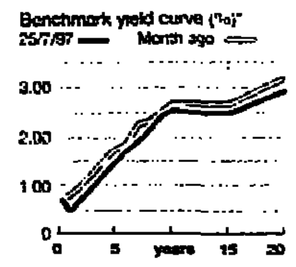
"A switch to a variable rate repo as early as in three weeks time is conceivable with the timing depending strongly on the further development of exchange rates," said analysts at IBJ in Frankfurt. They said a rise in money supply growth might also be the trigger for tighter monetary policy, although figures last week showed M3 money supply growth fell within the authorities' target corridor.

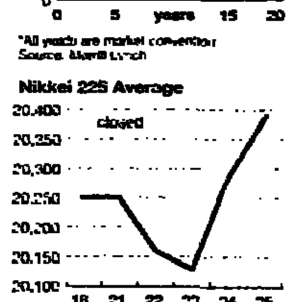
In spite of the Bundesbank's veiled threat, the German stock market had a good week last week, its rally being spurred by the announced merger of Vereinsbank and Bayerische Hypotheken-und-Wechsel Bank.

Daimler Benz, the industrial group, will present its half-year results in London on Thursday. SGL Carbon, the fast-growing carbon products company, holds its half-year press conference on Friday.

On the economic front, foreign trade data is expected to show a large trade surplus, reflecting the positive effect of the weak D-Mark. Imports have grown less rapidly, in part because of the sluggishness of domestic activity.

TOKYO By Gwen Robinson





The equity market is set to continue moving sluggishly after seesawing throughout last week. In recent sessions, the Nikkei 225 index has been unable to break out of the 20,000-20,400 range, boxed in by alternate bouts of profit-taking and bargain-hunting on dips. Investors have begun to turn their focus on high-technology stocks and other leading blue chips, dumping financial issues on renewed concerns about their health and the widening scandal over *dealings with corporate racketeers.*

Japanese government bonds benefited towards the end of last week from the Bank of Japan's lukewarm economic prognosis and the implied assurance of continuing low interest rates. In its quarterly economic outlook the BoJ said that Japan's economy continued on a moderate recovery track, but warned that the effects of the April 1 increase in sales tax from 3 to 5 per cent were still restraining faster growth.

The report's cautious tone was further evidence of the central bank's shift from its previously bullish stance, which fuelled speculation of an imminent rate increase and drove down JGBs a couple of months ago.

Markets will watch this week for the publication of June industrial production figures and the accompanying forecast for production in the following two months. The impact of the stronger-than-expected results for May, which rose a preliminary 3.8 per cent month-on-month (later revised to 4.5 per cent), was dampened by the government's forecast of a monthly decline of 2.6 per cent for June and a 0.9 per cent gain in July.

COMMODITIES By Gwen Robinson

Japanese shortfall lifts pork

Pork belly futures prices, which soared in Chicago at the end of last week on rumours of Japanese buying, could rise further this week.

Japan has been facing a shortage of pork since March when Taiwan was hit by a foot-and-mouth disease epidemic in its hog herd and suspended exports.

Taiwan was Japan's biggest pork supplier, with the US in second place. But an expected surge in demand for US pork by the Japanese failed to materialise – partly because the country had good stocks at the time of the scare.

Another factor was that the cuts of pork favoured by Japanese consumers differ from western tastes.

However, analysts think the Japanese might now be switching attention to the US market.

Japanese consumption of pork always increases in the summer and wholesale prices of domestically-produced pork in Japan have recently risen to a six-year high.

Mr Chuck Levitt, an analyst with Alaron Trading in the US, said Japan's Obon holiday, which extends throughout mid-August, is normally a period of high meat consumption.

Although any shipments would not arrive in time for the holiday, they would replenish Japanese stocks, which already stand between *25 per cent and 30 per* cent below a year ago.

"The usage between now and mid-August in Japan is pretty strong," said Mr Levitt. "So a lot of people think they are buying some extra to fill in for needs."

On Thursday pork belly futures for July delivery on the Chicago Mercantile Exchange closed the 3-cents daily limit a pound higher at 85.80 cents. The market had previously been tumbling, with July closing the 3-cent limit lower on Wednesday.

Japanese domestic producers have been unable to take advantage of the growth in demand for pork as unusually hot weather has affected production in some areas.

OTHER MARKETS Compiled by Clare Gascoigne

PARIS

Attention this week will still be focused on the banking sector, which produced a sharp upward run mid-week on the back of comments from Deutsche Bank that it was looking to acquire a French bank.

The sector, dominated by CCF and BNP, led the CAC-40 to break through the 3,000 barrier and set an all-time high on Wednesday of 3,026.99 before profit-taking set in.

Overseas earners are likely to be favourites, following the 15 per cent rise in corporation tax and doubling of capital gains tax that will have greatest impact on companies that earn most of their money in France.

LVMH will be closely watched, following the *increasingly bitter row with* Guinness, over chairman Mr Bernard Arnault's demerger plan.

AMSTERDAM

The market continues to perform well, although UBS strikes a note of caution and says the economy "is starting to show some signs of over-heating . . . the only way for rates, it appears, is up".

The interim results season continues, following strong performances from Philips and ASM Lithography last week. Figures are due from DSM, KNP BT, Unilever and Akzo Nobel. DSM, the chemicals group which rose sharply last week on news of a German acquisition, is expected to announce net profits of Fl 250.1m ($120.9m) for the second quarter. Net *profit at papermaker KNP* BT is forecast to reach Fl 76.6m, and at Anglo-Dutch conglomerate Unilever Fl 1.19bn.

Akzo Nobel is expected to benefit from the absence of maintenance stoppages, which had a negative effect on last year's second quarter. The consensus forecast is for second-quarter net profit of Fl 405.7m.

MADRID

As Madrid returns from a long holiday weekend, investors may be hoping for rather less volatility than last week. The general index dipped below 600 on Monday, rebounded by 2.7 per cent at mid-week, only to slip back to 596 points at the close on Thursday.

At the top of this week's agenda is first-half figures *from the banks, beginning* today with the state controlled Argentaria banking group. Expectations are for net profit after minorities to be about Pta30.5bn-Pta33.2bn ($197m-$214m), down from Pta37.2bn. Analysts say the profits will continue to be negatively affected by falling interest rates, depressing net interest income growth, as well as high extraordinary charges related to its workforce restructuring plans.

Tomorrow, Banco Santander is expected to report net profit after minorities of Pta54bn-Pta57bn for the first half to June, up from Pta45.9bn a year earlier.

HONG KONG

Brokers are bracing themselves for a week of volatility on the Hong Kong market, with turnover likely to *remain robust but with con*tinuing caution stemming from the wave of Asian currency turmoil, particularly in Thailand, *writes Louise Lucas.*

This week also sees the expiry of the spot month futures, which will further stimulate volatility, and as the trend for issuing third party warrants shows no signs of abating, this too will add to choppy trading.

The benchmark Hang Seng Index last Friday closed lower at 15,658, after notching up a new high during the week.

Property stocks are likely to remain in focus, along with the once beleaguered H share sector – the Hong Kong-listed mainland enterprises whose share prices have spiked in recent weeks by expectations of a wave of restructurings and *subsequent asset injections.*

CURRENCIES By Simon Kuper

Onwards and upwards marches the mighty dollar

What can stop the dollar? The US currency gained 4.6 pfennigs last week and no economic data or central bank actions look like setting it back this week.

Mr Alan Greenspan, chairman of the Federal Reserve, lent his voice last Tuesday to the growing consensus about the US economy: that it is near perfect. Growth is high and inflation is low, possibly because companies are using new technology.

The market responded to his words by sending the dollar higher. On Friday the non-farm payroll jobs data and the National Association of Purchasing Management survey, both for July, should back up the consensus. The figures are expected to show the US economy has accelerated again after a slightly slower spring – Thursday's gross domestic product data for the second quarter could be disappointing.

Yet however fast the US economy grows, prices simply refuse to rise. Mr Greenspan thinks they will remain fairly static this year, picking up only in 1998. The second-quarter employment cost index, out on Tuesday, is forecast to prove him right, with the market expecting just a 2.7 per cent year-on-year rise. All this should be good news for the dollar, already at about DM1.84.

If there is a threat to the US currency, it could come from the Bundesbank. Two Bundesbank officials hinted on Friday that the bank might move from a fixed to a variable repo rate and tighten monetary policy as a way of supporting the D-Mark. Few strategists believe this threat. The weak D-Mark is helping German exports, and Germany's economy needs all the help it can get. The country's trade and current account data for May, out this week, should reflect the benefits.

The market thinks the Bundesbank council is just trying to slow the D-Mark's fall ahead of its four-week summer holiday. Foreign exchange strategists see good times for the dollar.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BAT Industries (UK)	Cigarrera La Moderna (Mex)	Tobacco	$1.7bn	Buying control
DSM (N'lands)	Vestolen (Germany)	Plastics	$494m	Sector boost
CIBC Wood Gundy (Can)	Oppenheimer (US)	Fin services	$525m	Sector shake-up
Nomura Securities (Jap)	IPB (Czech Rep)	Banking	$350m	Taking control
Kingfisher (UK)	BUT (France)	Retailing	est $334m	Bid talks on
Commercial Union (UK)	Union Financiere (France)	Insurance	$210m	French buy
Ladbroke (UK)	Colorado Gaming & Entertainment (US)	Leisure	$85m	Casino purchase
Carlson Companies (US)	Inspirations (UK)	Travel servs	$70m	Agreed bid
Moore Corp (Canada)	Colleagues (UK)	Business servs	$36m	Recommended
Visual Action (UK)	Hospitality Resources (US)	Business servs	$21.5m	Cash + debt buy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 25, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7909.22	4750.00	2585.46	4087.83
Albania	(Lek)	290.560	174.500	94.9815	149.438
Algeria	(Dinar)	100.589	60.4100	32.8816	51.7342
Andorra	(French Fr)	10.3138	6.1941	3.3716	5.3045
	(Sp Peseta)	257.808	154.830	84.2773	132.594
Angola	(Readj Kwanza)	327884.8	196916.0	107182.7	168635.8
Antigua	(E Carib $)	4.4958	2.7000	1.4696	2.3122
Argentina	(Peso)	1.6643	0.9995	0.5440	0.8560
Armenia	(Dram)	848.784o	509.750	277.460	436.542
Aruba	(Florin)	2.9805	1.7900	0.9743	1.5329
Australia	(Aus $)	2.2678	1.3559	0.7381	1.1612
Austria	(Schilling)	21.5235	12.9262	7.0360	11.0698
Azerbaijan	(Manat)	6607.11o	3968.00	2159.81	3398.13
Azores	(Port Escudo)	308.951	185.545	100.996	158.898
Bahamas	(Bahama $)	1.6651	1	0.5443	0.8564
Bahrain	(Dinar)	0.6278	0.3770	0.2052	0.3229
Balearic Is	(Sp Peseta)	257.808	154.830	84.2773	132.594
Bangladesh	(Taka)	73.4310	44.1000	24.0046	37.7665
Barbados	(Barb $)	3.3490	2.0113	1.0948	1.7225
Belarus	(Rouble)	72160.2o	43336.9	23588.8	37113.1
Belgium	(Belg Fr)	63.1723	37.9390	20.6510	32.4904
Belize	(B $)	3.3302	2.0000	1.0886	1.7128
Benin	(CFA Fr)	1031.38	619.410	337.158	530.453
Bermuda	(Bermudian $)	1.6651	1	0.5443	0.8564
Bhutan	(Ngultrum)	59.4274	35.6900	19.4268	30.5644
Bolivia	(Boliviano)	8.7585	5.2600	2.8631	4.5046
Botswana	(Pula)	6.0226	3.6168	1.9686	3.0972
Brazil	(Real)	1.8018	1.0820	0.5889	0.9266
Brunei	(Brunei $)	2.4552	1.4745	0.8026	1.2627
Bulgaria	(Lev)	3049.63	1831.50	996.896	1568.47
Burkina Faso	(CFA Fr)	1031.38	619.410	337.158	530.453
Burma	(Kyat)	10.5717	6.3490	3.4559	5.4372

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6006	0.3269	0.5143
Greece	(Drachma)	477.851	286.960	156.209	245.785
Greenland	(Danish Krone)	11.6527	6.9962	3.8083	5.9931
Grenada	(E Carib $)	4.4969	2.7000	1.4696	2.3122
Guadeloupe	(French Fr)	10.3138	6.1941	3.3716	5.3045
Guam	(US $)	1.6651	1	[illegible]	[illegible]
Guatemala	(Quetzal)	9.9222	5.9589	[illegible]	[illegible]
Guinea	(Fr)	1831.61	1100.00	[illegible]	[illegible]
Guinea-Bissau	(Peso)	58280.6	35001.3	[illegible]	[illegible]
Guyana	(Guyanese $)	236.944	142.300	[illegible]	[illegible]
Haiti	(Gourde)	27.5852	16.5667	[illegible]	[illegible]
Honduras	(Lempira)	21.9377	13.1750	[illegible]	[illegible]
Hong Kong	(HK $)	12.8870	7.7395	[illegible]	[illegible]
Hungary	(Forint)	326.734	196.225	[illegible]	[illegible]
Iceland	(Icelandic Krona)	119.554	71.8000	[illegible]	[illegible]
India	(Indian Rupee)	59.4274	35.6900	[illegible]	[illegible]
Indonesia	(Rupiah)	4345.91	2610.00	[illegible]	[illegible]
Iran	(Rial)	4995.30u	3000.00	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	0.5177o	0.3109	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	1998.12m	1200.00	[illegible]	[illegible]
Irish Rep	(Punt)	1.1355	0.6819	[illegible]	[illegible]
Israel	(Shekel)	5.9118	3.5504	[illegible]	[illegible]
Italy	(Lira)	2978.12	1788.55	[illegible]	[illegible]
Jamaica	(Jamaican $)	57.1129	34.3000	[illegible]	[illegible]
Japan	(Yen)	194.434	116.770	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	1.1814	0.7095	[illegible]	[illegible]
Kazakhstan	(Tenge)	126.073	75.7150	[illegible]	[illegible]
Kenya	(Kenya Shilling)	96.3262	57.8500	[illegible]	[illegible]
Kiribati	(Australian $)	2.2678	1.3559	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(Z)	67.4025	40.4795	22.0339	34.6860
Panama	(Balboa)	1.6651	1	0.5443	0.8564
Papua New Guinea	(Kina)	2.3321	1.4006	0.7624	1.1995
Paraguay	(Guarani)	3588.29	2155.00	1172.98	1845.51
Peru	(New Sol)	4.4159	2.6520	1.4435	2.2711

SIGMA SECURITIES S. A. - MEMBER OF THE ATHENS STOCK EXCHANGE

ATHENS STOCK EXCHANGE July 21st- July 25th 1997 — GREECE

ASE INDEX	1601.39	P/E (after tax) 97e/96e	15.0/18.2	GDP (USD bn) 97e	113.90
%Chg (31/12/96)	71.55	EPS GROWTH (%) 97e	22.7	Per Capita Income (USD)	10,952
Yearly High	1755.66	P/E 97e / EPS GROWTH (%) 97e	0.66	Inflation Rate (% Y.O.Y, June '97)	5.50
Yearly Low	932.38	P/CE 97e/96e	11.6/14.1	June 12 M T-Bill rate (%)	9.60
WEEKLY VOL (USD m)	190.25	P/BV 97e/96e	3.3/3.7	1-Month Athibor (%)	11.91
%Chg (Prev Wk)	-33.76	Div. Yield (%) 97e/96e	3.8/3.1	GRD/US$	296.60
1 Y Wk Avg. (USD m)	287.36			A.S.E. Market Capitalisation - 25/7/97 (USD bn)	35.53
				IPOs & Rights Issues (in USD m) Jan 1 97-July 25 '97	1,230.27

CONTRACTS & TENDERS

ENEA

NOTICE OF SALE OF COMPONENTS OF THE PEC PLANT

ENEA - Ente per le Nuove Tecnologie, l'Energia e l'Ambiente - with head office in Rome 00196 - Lungotevere Thaon di Revel, 76 - announces the private negotiations for the sale of the undermentioned electrical, electromechanical and mechanical systems and components, unused but in part already mounted, manufactured for the PEC plant, and which are at present available at ENEA Centro Ricerche Brasimone in Camugnano (BO).

Components and electrical instrument systems: electric motors, instrument chains, thermometric probes, electric cables, absolute continuity system, switchboards, operation signalling systems, system of data acquisition, volume meters, illuminant bodies, electrical accessories.

Components and mechanical systems: pumps, valves, compressors, heat exchangers, tanks, refrigerator groups, ventilation groups, insulation material, tubing, section iron, semi-finished material, bolts and nuts, carpentry, overhead-travelling cranes, hoists, plant accessories, industrial plants.

Components, systems and other materials will be sold as they are, in a single lot, situated at Centro Ricerche Brasimone.

Requests, on headed paper, to participate in the acquisition are to be sent, within the 29th of August 1997, to the following address: ENEA - Centro Ricerche "E. Clementel" - Via Martiri di Monte Sole, 4-40129 Bologna (fax +39/516098623).

For information please refer to Mr. Claudio Sergo - ENEA C.R. Brasimone (tel. +39/534/801262 fax +39/534/801250).

ENEA - Officer Responsible for Unità Coordinamento Procedure di Gara (Dott.Massimo Urbani)

MARKETS: This Week

EMERGING MARKETS By Justin Marozzi

Stormy waters batter Manila

Being Asia's latest tiger is no insurance against the tidal wave that has ravaged south-east Asian stock markets in recent weeks.

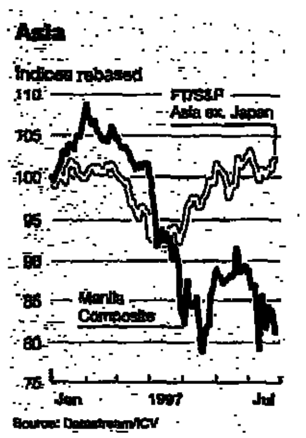
Investors in the Manila stock exchange have seen the market values fall 18.9 per cent since the start of the year, one of the worst performances among the emerging markets.

Nor is the turbulence over. Many observers believe that after the de facto devaluation of the peso on July 11, and with political uncertainties ahead of the presidential election next May, stormy waters will continue to engulf the market.

All this is a world away from February's all-time high, when the composite index reached 3,447 points. At that time, strong export figures, sound macroeconomic fundamentals and buoyant corporate earnings enabled the country to bask in its newly-earned tiger status.

But the shocks, when they came, were fast and furious.

In March, the exchange was rocked by the resignations of four top officials. They departed amid allegations that investigations into insider dealing and price manipulation had been suspended by the exchange,



Source: Datastream/ICV

without the approval of the Securities and Exchange Commission, the market watchdog. Mr Vitaliano Nañagas, the ebullient president of the exchange, followed a few days later.

Now, the SEC is looking into allegations that Mr Wilson Sy, chairman of the exchange, has been involved in insider dealing.

Not long after the Nañagas debacle, the crisis besetting Thailand's financial sector – where banks and finance companies had overexposed themselves to the overheated property sector – focused attention on emerging similarities in the Manila property sector.

With property shares representing 60 per cent of the market by earnings, persistent rumours of serious financial difficulties at Empire East and Megaworld, two local property groups, shook investors.

By May, the index had plunged 25 per cent from its all-time high and Manila has since proved unable to shake off the comparison with its more advanced neighbour. In spite of an attempt at a rally in June, the index on Friday was once again languishing 25 per cent down from the year's best level.

"We opened the year much stronger, hit an all-time high soon after, then earnings expectations turned out to be overblown and first-quarter numbers began to disappoint," says Mr Chris Hunt, head of research at Indosuez W.I. Carr, the stockbroker. "Consensus earnings per share growth forecast for 1997 has since been scaled back from 32 per cent down to 24 per cent and now about 20 per cent."

On that basis, the market is trading on a prospective p/e of 15.2, about the middle of the range for neighbouring markets.

For much of the year, the spillover effect from Thailand was a question of perception as economists debated whether the Philippines had the makings of its own financial collapse.

That changed this month with the managed float and subsequent collapse of the baht.

Just over a week later, after spending about $1.6bn defending the peso, the central bank in Manila succumbed to speculators and the currency fell 10 per cent. The market leapt at the news. After losing 8 per cent in three days, it surged back 7.6 per cent in the biggest one-day gain ever.

However, a weaker peso, while boosting export competitiveness, is expected to hurt companies as inflationary pressures build and the economy feels the pain of punitively high interest rates – which were raised to 32 per cent during the speculative attacks and which have only just started to descend.

Investors, says Ms Rosanna Escudero, analyst at Market Capital & Securities, have turned listless.

"This is a reality check for the Philippines," she says. "There's so much uncertainty now and sentiment is low so more people are jumping in and out, trading volumes are inconsistent and it is becoming increasingly difficult to predict direction.

"The positive side is that economic fundamentals are generally sound and things will soon settle down. The shares people are now looking at are those companies in export-related industries like electronics, and strong dollar earners."

Shares in PLDT, the former telecommunications monopoly also listed in New York, have rocketed 10.5 per cent in the past month. More than 80 per cent of the group's earnings are in dollars or are dollar-related.

While Manila analysts search for a more precise picture of the fall-out on the corporate sector, it has become a stock-pickers' market. With unexciting first-half earnings forecasts, there is little prospect of good news on the immediate horizon to bring back the bulls.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	25/7/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	191.50	+2.58	+1.36	+2.39	+1.26	+31.38	+19.60
Latin America							
Argentina (22)	135.77	+3.94	+2.99	+1.60	+1.19	+28.64	+26.73
Brazil (22)	414.32	+25.39	+6.53	−2.60	−0.62	153.29	+58.73
Chile (21)	222.23	+1.56	+0.71	+2.72	+1.24	+59.78	+36.80
Colombia (12)	239.53	−0.15	−0.06	+0.73	+0.31	+65.84	+37.90
Mexico (26)	114.09	+0.56	+0.49	+8.71	+8.26	+32.42	+39.69
Peru (12)	1,282.47	−62.35	−4.62	−127.71	−9.39	+225.26	+22.36
Venezuela (7)	94.24	+3.08	+3.38	+11.05	+13.28	+32.07	+51.57
Latin America (122)	207.82	+6.80	+3.38	+3.17	+1.55	+64.32	+44.82
Europe							
Czech Rep.(18)	75.77	−0.03	−0.04	−5.67	−6.97	−28.51	−27.34
Egypt (16)	189.42	−4.51	−2.33	−4.79	−2.47	+39.63	+26.46
Greece (19)	173.76	+4.13	+2.44	−1.94	−1.10	+61.45	+54.72
Poland (28)	285.73	+2.11	+0.74	−29.18	−9.27	−58.01	−16.86
Portugal (16)	195.10	−3.46	−1.74	−1.24	−0.63	+48.92	+33.47
Russia (9)	459.33	+23.94	+5.50	+62.88	+15.86	+280.30	+156.56
South Africa (26)	146.63	−1.02	−0.69	−0.47	−0.32	+16.75	+12.90
Turkey (27)	162.93	−16.42	−9.16	−6.69	−3.94	+37.89	+30.30
Europe (163)	140.79	−0.51	−0.36	+1.19	+0.85	+22.45	+18.97
Asia							
China (33)	73.21	+0.54	+0.74	+8.54	+13.21	+16.73	+29.62
Indonesia (26)	149.30	−8.99	−5.68	−15.51	−9.41	−7.13	−4.56
Korea (27)	91.64	−0.93	−1.00	−0.21	−0.22	+10.43	+12.84
Malaysia (20)	216.10	+6.37	+3.04	−14.65	−6.35	−64.32	−22.94
Pakistan (12)	96.94	+9.66	+11.07	+23.94	+32.80	+38.48	+65.83
Philippines (22)	234.29	−13.10	−5.29	−35.69	−13.22	−79.50	−25.34
Taiwan (30)	250.69	+6.51	+2.66	+26.31	+11.72	+65.25	+35.19
Thailand (28)	99.85	−6.25	−5.89	+10.35	+11.57	−55.31	−35.65
Asia (198)	214.10	+0.05	+0.03	+2.30	+1.08	−3.47	−1.59

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Greta Steyn

South Africa's reforms boost a buoyant market

The slimmer pickings in high-yielding European bond markets such as Italy mean investors are beginning to cast around for yield in more exotic markets.

One example is the South African bond market – especially now it is introducing reforms.

Mr Tim Unger, an analyst at ING Barings, said: "There is a growing trend of investing in local currency bond markets as they develop and as investors become more comfortable with the risks associated with them."

In the first half of this year, South Africa was the best performing bond market – significantly outperforming J.P. Morgan's indices for emerging local markets (ELMI) and emerging bonds, as well as the individual developed and high-yielding bond markets.

In local currency terms, South Africa's returns over the first half of the year were 16.6 per cent, compared with the ELMI's returns of 8.7 per cent.

Turnover in the local bond market is $2bn-$3bn a day. Foreign trade surged from about 10 per cent of turnover last year to about 20 per cent this year. Net foreign investment in the local market is running at about $3bn so far this year.

The heightened foreign interest in the South African market has coincided with moves by the finance department and Reserve Bank to introduce significant reforms.

In November, a big step will be taken when the settlement period is shortened from two weeks to three-day rolling settlement.

"We are at last ready to make this change, which has been in the pipeline for a long time," said Mr Andre Kock, the Reserve Bank general manager of capital markets.

The decision to shorten the settlement period was by no means an easy one. Local speculators kicked up a fuss, saying their two-week window of opportunity to speculate would close, and volumes would drop sharply. The market's liquidity was one of its selling points, the jobbers argued.

But Ms Maria Ramos, the new director-general of finance and the prime mover behind the reforms, was not convinced. She argued that the risks inherent in such a long settlement period were unacceptable, and were a deterrent to foreign investment.

While bond traders debated the pros and cons of moving to a shorter settlement period, Ms Ramos began hinting that she would force change if the market dragged its heels. That proved effective, and systems are being geared up for one of the most important changes in the South African financial markets.

One of the spin-offs of the present long settlement period is the fact that the futures market is dormant, as there is no natural need for futures products. But expectations are that when the settlement period is shortened, the futures market will come to life. Derivatives will take up the speculative slack.

Mr Patrick Birley, general manager of the South African futures exchange, said the exchange would soon extend the product range across the yield curve. "Volumes are slowly beginning to pick up in the existing products and will begin growing more rapidly from next month," he predicted.

Also on the South African reform agenda is the appointment of primary dealers in government bonds. Mr Kock said a decision had been taken in principle to appoint private marketmakers from the next fiscal year. Foreign banks would be required to become registered to qualify.

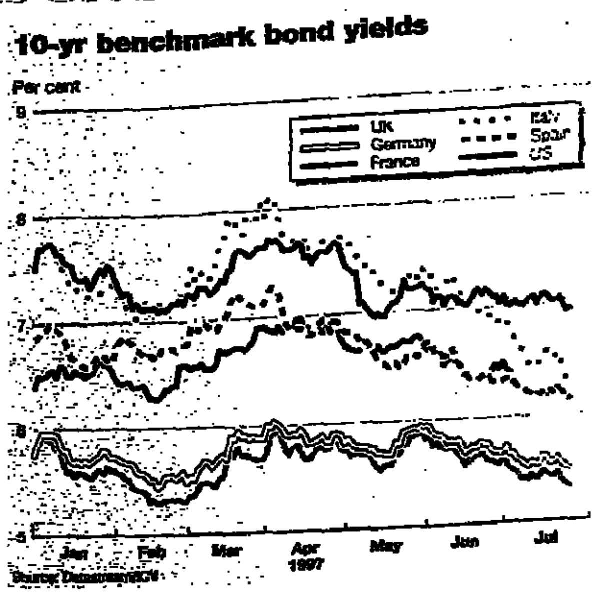
Foreign banks to have expressed an interest include J.P. Morgan, ABN Amro, Deutsche Bank, SBC Warburg and Merrill Lynch.

Mr Tony Best, J.P. Morgan head of emerging markets in eastern Europe, Africa and the Middle East, said the bank had applied for a banking licence and was interested in becoming a primary dealer. ABN Amro already has a local banking licence and is keen on becoming a market maker.

But most of the other strong candidates have not yet made up their minds about applying for a licence. They are all represented in South Africa in securities trading and corporate finance, but are not sure whether the next step should be taken to become fully fledged banks.

The foreign banks are looking at whether their return on capital will be good enough to justify the decision. Local and foreign banks do not regard primary dealing as particularly profitable, but believe the business spin-offs should make up for it.

Whatever they decide, foreign participation in the South African bond market is likely to continue to increase, especially as European monetary union convergence plays run out of steam.



Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10[1]	6.75	6.75[2]
Overnight	n/a	n/a	3.00	3.13	6.94	n/a
Three month	5.23	0.51	3.12	3.25	6.77	6.93
One year	5.62	0.53	3.37	3.47	6.38	7.01
Five year	6.07	1.47	4.50	4.53	5.94	7.02
Ten year	6.16	2.41	5.55	5.40	6.37	6.93

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
GECC	500	Aug 2002	6.25	99.68R	6.327	+6(WI 5yr)	SBC Warburg
ING Bank	250	Aug 2000	6.125	99.682R	6.245	+15(6⅛May00)	Tokyo-Mitsubishi Intl
Indian Railway Fin Corp‡	150	Jul 2004	(a)	100.00	-	-	ANZ Investment Bank
Fuji Bank Intl(b)‡	600	undated	(m1)	100.00R	-	-	Fuji Intl/Morgan Stanley
ICI Investments(Neths)	500	Aug 2002	6.75	99.824R	6.789	+50(WI 5yr)	Deutsche MG/UBS
PFI, Series A(n)‡	200	Aug 2002	(n1)	100.00R	-	-	Paribas
PFI, Series B(n)‡	100	Aug 2004	(n2)	100.00R	-	-	Paribas
Bco Bradesco, Grd Cayman	100	Aug 1998	8.625#	99.957R	8.660	+62½(Libor)	Société Générale
City of New York(o)‡	75	Aug 2002	(o1)	100.034R	-	-	Goldman Sachs Intl
Tennessee Valley Auth(u)	750	Nov 2025	6.75#	100.074	6.743	+27(6½Nov26)	Lehman Brothers Intl
American Express Credit Cp	400	Aug 2002	6.50	99.95R	6.512	+38(WI 5yr)	Goldman Sachs Intl
Jordan Phosphate Mines(v)‡	100	Aug 2002	(v1)	100.00R	-	-	HSBC Markets
Bicbanco(w)	75	Jul 2005	9.875#	99.75R	9.926	+380(6⅞%-05)	ANZ Investment Bank
Banco Cidade(x)	50	Jul 2005	(x1)#	99.95R	8.530	+250(6⅞%-05)	Crdt Agricole Indosuez
Aesop Funding II, A1(A1,z)★	800	Oct 2000	6.22	100.00R	6.302	+30(6⅛May00)	Lehman Brothers
Aesop Funding II, A2(A2,z)★	850	Oct 2002	6.40	99-31+R	6.488	+45(6⅝%Jul02)	Lehman Brothers
FUSA, 97-5, Class A(B)‡	650	Aug 2004	(B1)	100.00	-	-	JP Morgan Securities
CIBC Wood Gundy(C)‡	300	Aug 2012	(C1)	99.85R	-	-	CIBC Wood Gundy
World Bank	300	Aug 2000	6.00	99.9625R	6.014	flat(6⅛%-00)	Commerzbank
Bankers Trust NY Corp‡	300	Aug 2000	(D)	99.99R	-	-	PaineWebber/UBS
European Investment Bank	200	Aug 2004	6.125	99.776R	6.165	+4(6⅝%Jul02)	ING Bank Luxembourg
Hutchison Whampoa Finance	750	Aug 2007	6.95#	99.891R	6.978	+82(6⅝May07)	Goldman/Merrill Lynch
Hutchison Whampoa Finance	500	Aug 2017	7.45#	99.897R	7.460	+99(-10&30)	Goldman/Merrill Lynch
Hutchison Whampoa Finance	500	Aug 2027	7.50#	99.292R	7.560	+109(6⅝%-27)	Goldman/Merrill Lynch
Hutchison Whampoa Fin(K)	250	Aug 2097	6.988#	100.00R	6.988	+63(6⅝May07)	Goldman/Merrill Lynch
Keppel Corp(M)§	300	Aug 2002	2.00	100.00	-	-	Jardine Fleming
Federal Home Loan Banks(L)	200	Aug 2000	6.25#	100.00R	6.250	+33(6⅞May00)	First Tenn/HSBC/Paribas
[illegible]‡	105	Jul 2002	(N)	100.00	-	-	Nomura Singapore
Power Finance Corp	100	Jul 2009	7.50#	99.96R	7.505	+135(6⅝%-07)	ING Barings
Internacional de Cerámica	90	Aug 2002	9.75#	99.728R	9.820	+375(6Jul02)	Deutsche Morgan G'fell
D-MARKS							
Spintab	500	Aug 2002	4.75	99.75R	4.807	+35(4¾Feb02)	BayerLB/M Stanley
Cofinoga‡	300	Aug 2004	(c)	99.92R	-	-	Paribas
Cariplo, London Branch(d)‡	300	Aug 2002	(e)	99.988R	-	-	Deutsche Morgan G'fell
Norgeskreditt‡	350	Aug 2000	(p)	100.023R	-	-	Salomon Brothers AG
Ford Motor Credit Co	250	Aug 2002	4.75	99.62R	4.837	+40(4¾Feb02)	Deutsche Morgan G'fell
Citic	200	Aug 2002	5.00	99.80R	5.046	+62(4½Feb02)	Commerzbank
SüdwestLB Capital Mkts(q)	100	Aug 2002	2.25	101.975	-	-	JP Morgan Frankfurt
Yorkshire Building Society‡	200	Aug 2004	(E)	100.042	-	-	UBS Germany
YEN							
Sumitomo Special Metals(s)§	15bn	Sep 2004	0.25	100.00	-	-	Daiwa Europe
Korea Industrial Leasing Co★	10bn	Aug 2002	2.20	99.85	2.232	-	Nikko Europe
African Development Bank	30bn	Aug 2002	1.85	99.898R	1.872	+22(JGB 148)	Goldman Sachs Intl
FRENCH FRANCS							
UBS, London Branch	2bn	Aug 2009	5.875	99.308R	5.957	+35(f)	UBS France
Cariplo, London Branch(d)‡	1bn	Aug 2002	(g)	99.898R	-	-	Deutsche Morgan G'fell
SüdwestLB Capital Markets	2bn	Aug 2008	5.625	99.388R	5.697	+13(f)	CDC/Crd Agr Indosuez
Crédit Local de France	3bn	Aug 2012	5.75	99.00R	5.852	+19(f)	Société Générale
GECC	1.5bn	Aug 2009	5.625	99.807R	5.648	+15(f)	Paribas
Hypothekenbank in Essen(O)	1.5bn	Aug 2009	5.625	99.412R	5.694	+15(f)	CDC/Commerzbank/CCF
STERLING							
DSL Bank	250	Aug 2007	7.25	99.036R	7.390	+30(7¼Dec07)	HSBC/JP Morgan Secs
Tesco	250	Jul 2007	7.50	98.957R	7.653	+45(7¼Dec07)	UBS
Woolwich‡	250	Aug 2004	(I)	99.905	-	-	BZW
World Bank	300	Jul 2007	7.125	99.278R	7.229	+10(7¼Dec07)	SBC Warburg
Reliance Industries	150	Aug 2007	8.75	99.303R	8.858	+165(7¼%-07)	HSBC/Merrill Lynch
GECC	200	Aug 2007	7.25	99.785R	7.281	+22(7¼Dec07)	Goldman Sachs Intl
Morgan Guaranty Trust Co	100	Aug 2000	7.25	99.676R	7.374	+14(8%Dec00)	JP Morgan Securities
St George Bank‡	250	Aug 2002	(F)	99.768R	-	-	BZW/UBS
Merrill Lynch & Co(G)‡	75	Jul 2002	(G1)	99.875R	-	-	Merrill Lynch Intl
SWISS FRANCS							
Max Intl, Cayman Is(t)★ф	125.47	Aug 2001	0.375	100.00	-	-	Nikko Bank (Switz)
Merrill Lynch & Co‡	150	Aug 2000	(H1)	100.00	-	-	Merrill Lynch Cap Mkts
Merrill Lynch & Co‡	150	Aug 2000	(H2)	100.00	-	-	Merrill Lynch Cap Mkts
ITALIAN LIRE							
Cariplo, Milan(d,h)	600bn	Aug 2002	6.25	101.13	-	-	Cariplo
Skandia Luxembourg‡	250bn	Jul 2004	(i)	99.75R	-	-	Bankers Trust/Cariplo
Pemex	750bn	Aug 2007	(y)	99.95R	8.13	+150(swaps)	Deutsche Morgan G'fell
World Bank(z)	100bn	Aug 2002	zero	100.00R	-	-	San Paolo/JP Morgan
PESETAS							
FTH Bancaja 1, Cls A(j)‡	19.25bn	Dec 2007	(j1,j2)	100.00	-	-	JP Morgan Securities
Finnish Export Credit(k)	10bn	Aug 2012	(k1)	101.50	-	-	Deutsche Morgan G'fell
World Bank	16bn	Aug 2002	5.00	100.728	4.833	-	BCH/BSN/Merrill/UBS
Hamburgische Landesbank(l,J)	10bn	Sep 2001	5.44	100.90	-	-	Argentaria/BBV/BNP
DANISH KRONER							
Finance for Danish Ind(l)	400	Dec 2003	5.50	101.875	5.13	-	Banque Paribas Lux
Crédit Local de France(l)	400	Dec 2002	5.25	101.85	4.84	-	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. фWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: Y1,820. Downward resets in Sep 99 & 02; 80% floors. Puttable on 30/9/02 at par. b) 6-mth Libor +75bp. c) 3-mth Libor +⅛%. d) Issuer may consolidate issues upon Emu. e) 3-mth Libor +10bp. f) 3-mth Libor +⅛%. g) 3-mth Pibor +10bp. h) Exchangeable annually at issuers option into FRN paying 3-mth Libor +10bp. i) Over interpolated yield. j) Fondo de Titulizacion Hipotecaria. Legal maturity: Mar 2017. Av life: 4.8 yrs. j1) 3-mth Libor +16bp j2) Class B: Pta750m, 3-mth Libor +45bp, via Bancaja. k) Callable on 25/8/99 at par. k1) 5.4% to 25/8/99, then 7.3%. Long last coupon. l) Long 1st coupon. m) Callable from Aug 02 at par. m1) 6-mth Libor +80bp to Aug 02, then +230bp. n) Premier Funding Intl. n1) 3-mth Libor +20bp. n2) 3-mth Libor +22bp. o) Fungible with $350m. Plus 97 days accrued. Amortises: av life 2¾ yrs. o1) 3-mth Libor +25bp. p) 3-mth Libor +2½bp. q) Denom: DM5000 + 2 wrts. Each wrt gives holder right to exchange DM5,000 for US$ at 1.740DM/$ until 22/12/97. r) 3-mth Libor +95bp. s) Short 1st coupon. t) Denom: SFr10,000 +10 wrts. Ex price: Y945. FX: 79.707/SFr. Downward resets, setting 21/8/98 & 20/8/99; 80% floor. u) Fungible with $800m. Plus 98 days accrued. v) Callable from Aug 00 at par. v1) 3-mth Libor +150bp. w) Puttable on 30/7/00 at 99½%. x) Callable and puttable on 28/7/00 at 99.20% & on 28/7/02 at 99.75%. x1) 8¾% to 28/7/00, then 9½%. y) 10¼% to 13/8/99, then 7⅞%. z) Redeemed at max of 104½% or (100% + Mib-30 index change over last 30 mths). A) Originator: Avis Rent-a-Car. Monthly coupons, semi-annual yield. A1) Legal maturity: 20/10/01. Av life: 3 yrs. A2) Legal maturity: 20/10/03. Av life: 5 yrs. B) First USA Credit Card Master Trust. Legal maturity: 17/4/07. Av life: 7.03 yrs. B1) 1-mth Libor +14bp. B2) Class B: $58.735m, 1-mth Libor +33bp. par. C) Callable from Aug 07 at par. C1) 3-mth Libor +35bp to Aug 07, then +135bp. D) 3-mth Libor +6¼bp. E) 3-mth Libor +10bp. F) 3-mth Libor +6¼bp. G) Fungible with £300m. Plus 29 days accrued. G1) 3-mth Libor +7½bp. H1) 3-mth Libor +6¼bp. H2) 6-mth Libor +6¼bp. J) Callable on 10/9/98 at par. K) Puttable on 1/8/09 at par. L) Callable on coupon dates from 7/8/98 at par. M) 6-mth Libor +80bp. N) Conv price: S$7.10. FX: 1.4888S$/US$. Redemption price: 120½%. Callable from Aug 00 subject to 130% hurdle at accreted value. Greenshoe: $50m. O) Oeffentliche Pfandbriefe. Note: Yields are calculated on ISMA basis.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.5235	-0.0295	135 - 334	21.6265	21.4596	21.4691	3.0	21.3564	3.1	20.8509	3.1	101.6
Belgium	(BFr)	63.1723	-0.0902	183 - 262	63.4720	62.9950	62.9923	3.4	62.6223	3.5	60.8723	3.6	100.8
Denmark	(DKr)	11.6527	-0.0117	475 - 579	11.7010	11.6161	11.6212	3.2	11.5572	3.3	11.2657	3.3	102.9
Finland	(FM)	9.0796	+0.0612	717 - 855	9.0980	9.0010	9.0533	3.4	9.0006	3.4	8.7681	3.2	81.0
France	(FFr)	10.3138	-0.0162	080 - 196	10.3616	10.2799	10.2908	3.8	10.2238	3.5	9.9483	3.5	103.2
Germany	(DM)	3.0591	-0.0041	577 - 604	3.0752	3.0481	3.0497	3.7	3.0307	3.7	2.9438	3.8	101.4
Greece	(Dr)	477.851	-0.604	291 - 410	479.985	476.506	479.834	-4.5	482.258	-3.7	490.626	-2.7	85.0
Ireland	(I£)	1.1355	+0.0009	332 - 378	1.1450	1.1323	1.135	0.5	1.1336	0.7	1.1227	1.1	98.4
Italy	(L)	2978.12	-1.86	597 - 026	2990.49	2968.24	2978.2	0.0	2978.16	0.0	2975.57	0.1	75.6
Luxembourg	(LFr)	63.1723	-0.0902	183 - 262	63.4720	62.9950	62.9923	3.4	62.6223	3.5	60.8723	3.6	100.8
Netherlands	(Fl)	3.4456	-0.005	441 - 471	3.4629	3.4359	3.4354	3.6	3.4145	3.6	3.3185	3.7	100.0
Norway	(NKr)	12.6443	+0.0281	388 - 497	12.6977	12.5892	12.6118	3.1	12.5508	3.0	12.2818	2.9	95.6
Portugal	(Es)	308.951	-0.434	817 - 085	310.470	308.989	308.795	0.6	308.265	0.9	304.177	1.5	91.8
Spain	(Pta)	257.808	+0.019	647 - 968	259.160	257.210	257.493	1.5	256.743	1.7	252.373	2.1	76.2
Sweden	(SKr)	13.1785	-0.0244	663 - 867	13.2583	13.1169	13.149	2.5	13.0805	2.6	12.834	2.8	85.5
Switzerland	(SFr)	2.5215	+0.0157	199 - 231	2.5365	2.5127	2.5108	5.2	2.488	5.3	2.3878	5.3	104.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	106.2
Ecu	-	1.5463	-0.0009	452 - 474	1.5529	1.5418	1.543	2.8	1.5358	2.7	1.5018	2.9	-
SDR†	-	1.22353	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6643	-0.0088	638 - 648	1.6737	1.6601	-	-	-	-	-	-	-
Brazil	(R$)	1.8016	-0.0066	009 - 022	1.8104	1.7967	-	-	-	-	-	-	-
Canada	(C$)	2.3048	-0.009	036 - 059	2.3125	2.2936	2.298	3.6	2.2843	3.6	2.2334	3.1	84.8
Mexico	(New Peso)	12.9387	-0.1633	306 - 467	13.0739	12.9293	-	-	-	-	-	-	-
USA	($)	1.6651	-0.0082	646 - 656	1.6740	1.6604	1.6634	1.2	1.6597	1.3	1.6427	1.3	105.2
Pacific/Middle East/Africa													
Australia	(A$)	2.2578	-0.0134	556 - 600	2.2739	2.2439	2.2572	0.3	2.2553	0.4	2.2452	0.6	92.4
Hong Kong	(HK$)	12.8870	-0.0652	823 - 917	12.9559	12.8515	12.886	0.1	12.8796	0.2	12.8245	0.5	-
India	(Rs)	59.4274	-0.2927	846 - 702	59.7300	59.3090	59.6226	-3.9	60.0232	-4.0	61.7029	-3.8	-
Israel	(Shk)	5.9118	-0.0451	975 - 260	5.9630	5.8849	-	-	-	-	-	-	-
Japan	(Y)	194.434	+0.365	309 - 559	194.990	193.020	193.414	6.3	191.389	6.3	182.404	6.2	133.0
Malaysia	(M$)	4.4117	-0.0167	079 - 155	4.4343	4.4012	4.4159	-1.2	4.4239	-1.1	4.4426	-0.7	-
New Zealand	(NZ$)	2.5513	-0.0095	492 - 534	2.5576	2.5417	2.5511	0.1	2.5521	-0.1	2.5583	-0.3	109.1
Philippines	(Peso)	47.8220	-0.4856	579 - 860	50.8422	47.3550	47.7818	-4.0	48.0313	-3.4	49.0883	-3.1	-
Saudi Arabia	(SR)	6.2451	-0.031	429 - 473	6.2758	6.2278	6.2416	0.7	6.2332	0.8	6.1967	0.8	-
Singapore	(S$)	2.4552	-0.0168	536 - 568	2.4714	2.4415	2.4506	2.3	2.4405	2.4	2.3923	2.6	-
South Africa	(R)	7.6012	-0.0282	964 - 060	7.6230	7.5423	7.662	-9.6	7.7798	-9.4	8.2166	-8.1	-
South Korea	(Won)	1485.27	-8.99	149 - 905	1492.26	1481.34	-	-	-	-	-	-	-
Taiwan	(T$)	46.5562	-0.2126	089 - 035	46.7682	46.4580	46.5396	0.4	46.4998	0.5	46.3021	0.5	-
Thailand	(Bt)	53.3665	-0.1541	672 - 658	53.4680	52.6800	53.7031	-7.6	54.1647	-6.0	55.1949	-3.4	-

† Rates for Jul 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.9262	+0.0456	241 - 283	12.9460	12.8800	12.9022	2.2	12.8532	2.3	12.6292	2.3	101.2
Belgium	(BFr)	37.9390	+0.132	180 - 600	37.9960	37.7910	37.864	2.4	37.7125	2.4	37.019	2.4	100.9
Denmark	(DKr)	6.9982	+0.0273	972 - 992	7.0045	6.9709	6.9865	2.0	6.9622	2.1	6.8658	2.0	102.2
Finland	(FM)	5.4523	+0.0633	498 - 548	5.4570	5.3935	5.4408	2.5	5.4172	2.6	5.3233	2.4	80.6
France	(FFr)	6.1941	+0.0207	925 - 957	6.2022	6.1735	6.1825	2.2	6.1587	2.3	6.0489	2.3	102.6
Germany	(DM)	1.8372	+0.0066	369 - 374	1.8403	1.8308	1.8334	2.5	1.8256	2.5	1.7906	2.5	101.0
Greece	(Dr)	286.990	+1.045	730 - 230	287.370	285.500	288.275	-5.4	290.33	-4.7	297.48	-3.7	64.8
Ireland	(I£)	1.4664	-0.0084	639 - 689	1.4705	1.4555	1.4656	0.6	1.4647	0.5	1.4651	0.1	-
Italy	(L)	1788.65	+7.65	780 - 930	1789.75	1783.33	1790.32	-1.2	1793.33	-1.1	1796.75	-0.5	75.3
Luxembourg	(LFr)	37.9390	+0.132	180 - 600	37.9960	37.7910	37.864	2.4	37.7125	2.4	37.019	2.4	100.9
Netherlands	(Fl)	2.0693	+0.0071	690 - 696	2.0730	2.0605	2.0651	2.5	2.0586	2.5	2.0188	2.4	100.1
Norway	(NKr)	7.5937	+0.054	927 - 947	7.5953	7.5311	7.5793	2.3	7.5508	2.3	7.4981	2.0	95.3
Portugal	(Es)	185.545	+0.65	520 - 570	185.850	184.550	185.508	0.2	185.455	0.2	184.265	0.7	92.3
Spain	(Pta)	154.830	+0.77	780 - 880	155.140	154.470	154.786	0.3	154.61	0.6	153.435	0.9	75.8
Sweden	(SKr)	7.9134	+0.0242	096 - 171	7.9353	7.8895	7.9043	1.4	7.885	1.4	7.811	1.3	84.8
Switzerland	(SFr)	1.5143	+0.0166	138 - 148	1.5178	1.5054	1.509	4.2	1.4983	4.2	1.4528	4.1	105.1
UK	(£)	1.6651	-0.0082	646 - 656	1.6740	1.6604	1.6634	1.2	1.6597	1.3	1.6427	1.3	106.0
Ecu	-	1.0769	-0.0047	764 - 773	1.0810	1.0760	1.0783	-1.6	1.0816	-1.7	1.0971	-1.9	-
SDR	-	0.730642	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0004	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0820	+0.0002	819 - 820	1.0820	1.0817	-	-	-	-	-	-	-
Canada	(C$)	1.3842	+0.0014	839 - 844	1.3854	1.3800	1.3811	2.7	1.3754	2.6	1.3548	2.1	84.7
Mexico	(New Peso)	7.7705	-0.0595	680 - 730	7.7740	7.7640	7.879	-16.8	8.08	-16.4	9.0005	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3559	-0.0014	550 - 569	1.3584	1.3514	1.3557	0.2	1.3552	0.2	1.3508	0.4	93.8
Hong Kong	(HK$)	7.7395	-0.001	390 - 400	7.7415	7.7385	7.74	-0.1	7.7409	-0.1	7.7431	0.0	-
India	(Rs)	35.6900	-	750 - 050	35.7050	35.6700	35.8275	-4.6	36.1125	-4.7	37.325	-4.6	-
Israel	(Shk)	3.5504	-0.0096	429 - 579	3.5640	3.5380	-	-	-	-	-	-	-
Japan	(Y)	116.770	+0.79	730 - 810	116.820	115.990	116.255	5.3	115.255	5.2	110.955	5.0	135.0
Malaysia	(M$)	2.6495	+0.003	480 - 510	2.6523	2.6415	2.654	-2.0	2.663	-2.0	2.693	-1.6	-
New Zealand	(NZ$)	1.5322	+0.0019	314 - 330	1.5335	1.5280	1.533	-0.6	1.5354	-0.8	1.5455	-0.9	-
Philippines	(Peso)	28.6000	-0.15	500 - 500	30.5000	28.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-0.0001	504 - 508	3.7509	3.7500	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4745	-0.004	740 - 750	1.4765	1.4665	1.4726	1.4	1.4689	1.5	1.4495	1.7	-
South Africa	(R)	4.5650	+0.0055	635 - 665	4.5665	4.5365	4.6055	-10.6	4.685	-10.5	4.9875	-9.3	-
South Korea	(Won)	892.000	-1	000 - 000	894.400	890.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.9600	+0.01	400 - 800	27.9800	27.9340	27.971	-0.5	27.98	-0.3	28.0725	-0.4	-
Thailand	(Bt)	32.0500	+0.065	000 - 000	32.2000	31.4900	32.495	-16.7	33.2	-14.4	34.43	-7.4	-

† SDR rate per $ for Jul 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 24: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	6	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	6	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.27
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.92
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	6	-	-	-
US Dollar CDs	-	5.42	5.48	5.55	5.69	-	-	-
week ago	-	5.42	5.54	5.63	5.79	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	3½	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	3½	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	[illegible]	3⅞ - 3¾	3¾ - 3⅝	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	3⅝ - 3½	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	3⅛ - [illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible] - 3⅛	[illegible] - 3⅛	3⅜ - 3⅛	[illegible]	[illegible]	[illegible]
French Franc	3¼ - 3⅛	[illegible]	[illegible]	3⅜ - [illegible]	3½ - [illegible]	[illegible]
Portuguese Esc.	5½ - [illegible]	[illegible] - 5⅝	[illegible]	5⅝ - [illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	5⅜ - 5¼	5⅜ - 5¼	[illegible]	5¼ - [illegible]	[illegible]
Sterling	6⅞ - 6¾	6⅞ - 6¾	[illegible] - 6¾	[illegible]	[illegible]	[illegible]
Swiss Franc	1¼ - ¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	3¼ - 3	3⅜ - 3¼	3½ - 3⅜	[illegible]	[illegible]	[illegible] - 6
US Dollar	5½ - 5⅜	5⅝ - 5½	[illegible] - 5⅝	[illegible]	[illegible]	[illegible]
Italian Lira	7⅛ - 6⅝	[illegible] - 6⅝	[illegible] - 6⅞	6⅞ - [illegible]	[illegible]	[illegible]
Japanese Yen	½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - ¾
Asian $Sing	4¼ - 4	4⅝ - 4⅜	4⅝ - 4⅜	4⅜ - 4⅛	4⅜ - 4⅛	4⅜ - 4⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.27	+1.45	94.28	94.26	38,837	533,787
Dec	94.14	94.12	-0.16	94.14	94.11	55,580	489,888
Mar	94.10	94.08	-0.20	94.10	94.06	51,500	328,555

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.91	94.91	-0.01	94.91	94.91	236	7,756
Dec	94.81	94.81	-	94.82	94.81	74	700

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.33	4.843	1.797	4714	5.454	20.02	489.1	408.1	20.86	3.991	1.583	3.648	2.636	307.8	2.448
Denmark	(DKr)	54.21	10	8.851	2.625	0.974	2556	2.957	10.85	265.1	221.2	11.31	2.164	0.858	1.978	1.429	166.9	1.327
France	(FFr)	61.25	11.30	10	2.966	1.101	2888	3.341	12.26	299.6	250.0	12.78	2.445	0.970	2.235	1.614	188.5	1.499
Germany	(DM)	20.65	3.809	3.371	1	0.371	973.5	1.126	4.133	101.0	84.27	4.307	0.824	0.327	0.753	0.544	63.56	0.505
Ireland	(I£)	55.63	10.26	9.083	2.694	1	2623	3.034	11.14	272.1	227.0	11.60	2.221	0.881	2.030	1.466	171.2	1.362
Italy	(L)	2.121	0.391	0.346	0.103	0.038	100	0.116	0.425	10.37	8.657	0.442	0.085	0.034	0.077	0.056	6.529	0.052
Netherlands	(Fl)	18.33	3.382	2.993	0.888	0.330	864.3	1	3.670	89.67	74.82	3.824	0.732	0.290	0.669	0.483	56.43	0.449
Norway	(NKr)	49.96	9.216	8.157	2.419	0.898	2355	2.725	10	244.3	203.9	10.42	1.994	0.791	1.823	1.317	153.8	1.223
Portugal	(Es)	20.45	3.772	3.338	0.990	0.368	963.9	1.115	4.093	100	83.45	4.265	0.816	0.324	0.746	0.539	62.93	0.500
Spain	(Pta)	24.50	4.520	4.001	1.187	0.440	1155	1.337	4.905	119.8	100	5.111	0.978	0.388	0.894	0.646	75.42	0.600
Sweden	(SKr)	47.94	8.843	7.827	2.322	0.862	2260	2.615	9.596	234.5	195.7	10	1.914	0.759	1.749	1.264	147.6	1.173
Switzerland	(SFr)	25.05	4.621	4.090	1.213	0.450	1181	1.367	5.015	122.5	102.2	5.226	1	0.397	0.914	0.660	77.11	0.613
UK	(£)	63.17	11.65	10.31	3.059	1.136	2978	3.445	12.64	309.0	257.8	13.18	2.521	1	2.305	1.665	194.4	1.546
Canada	(C$)	27.41	5.056	4.475	1.327	0.493	1292	1.495	5.486	134.0	111.9	5.717	1.094	0.434	1	0.722	84.36	0.671
USA	($)	37.94	6.998	6.194	1.837	0.682	1789	2.069	7.594	185.5	154.8	7.913	1.514	0.601	1.384	1	116.8	0.929
Japan	(Y)	32.49	5.993	5.305	1.573	0.584	1532	1.772	6.503	158.9	132.6	6.777	1.297	0.514	1.185	0.856	100	0.795
Ecu	-	40.86	7.536	6.670	1.978	0.734	1926	2.228	8.178	199.8	166.7	8.522	1.631	0.647	1.491	1.077	125.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5468	0.5456	-0.0012	0.5480	0.5453	31,566	129,667
Dec	0.5506	0.5489	-0.0012	0.5506	0.5490	639	1,879
Mar	0.5527	0.5521	-0.0012	0.5527	0.5527	3	544

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6667	0.6630	-0.0036	0.6682	0.6620	21,754	58,268
Dec	0.6710	0.6696	-0.0037	0.6720	0.6685	318	1,657
Mar	-	0.6765	-0.0038	-	0.6805	26	963

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8676	0.8608	-0.0069	0.8681	0.8606	10,433	58,086
Dec	0.8778	0.8719	-0.0070	0.8778	0.8719	115	1,812
Mar	-	0.8833	-0.0071	-	0.8920	10	327

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6712	1.6612	-0.0096	1.6730	1.6570	7,287	61,702
Dec	1.6590	1.6556	-0.0094	1.6590	1.6500	17	876
Mar	-	1.6496	-0.0094	-	1.6450	1	199

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.660	1.45	2.16	2.65	1.17	1.99	2.68
1.670	0.99	1.70	2.24	1.71	2.53	3.23
1.680	0.64	1.31	1.85	2.36	3.14	-

Previous day's vol., Calls 405 Puts 307. Prev. day's open int., Calls 31,426 Puts 35,336

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.555	0.21	0.46	0.69	1.17	1.33	1.51
0.560	0.13	0.34	0.53	1.58	1.68	1.84
0.565	0.08	0.23	0.41	2.00	-	-

Previous day's vol., Calls 5,002 Puts 3,060. Prev. day's open int., Calls 6,006 Puts 11,250

UK INTEREST RATES

LONDON MONEY RATES

Jul 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 6¼	6¾ - 6⅝	[illegible]	[illegible]	7¼ - 7⅛	7½ - 7⅜
Sterling CDs	-	-	6¾ - [illegible]	[illegible] - 6⅞	[illegible]	7⅜ - [illegible]
Treasury Bills	-	-	[illegible]	6⅞ - 6¾	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	6⅝ - 6½	6¾ - 6⅝	6¾ - [illegible]	7 - [illegible]	[illegible]	[illegible] - 7⅜
Discount Market deps	6⅞ - 6¾	6¾ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jul 18, 6.5774pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.88pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.738pc. Finance House Base Rate 7pc from Jul 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 25	Jul 18		Jul 25	Jul 18
Bills on offer	£200m	£200m	Top accepted rate	6.6582%	6.5980%
Total of applications	£880m	£1178m	Ave. rate of discount	6.6436%	6.5774%
Total allocated	£200m	£200m	Average yield	6.7555%	6.6871%
Min. accepted bid	£98.340	£98.355	Offer at next tender	£200m	£200m
Allotment at min. level	39%	74%	Min. accept. bid 92 days	-	-

■ Pound in New York

Jul 25	— Close —	— Prev. close —
£ spot	1.6640	1.6750
1 mth	1.6623	1.6734
3 mth	1.6585	1.6695
1 yr	1.6416	1.6523

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamsn Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	6.50
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	● Members of London Investment Banking Association	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75	* In administration	
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

OTHER STATISTICS

STOCK INDICES

	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	4861.5	4862.9	4874.5	4846.7	4805.7	4884.2	4056.6	4884.2	986.9
FTSE 250	4474.7	4478.4	4481.8	4461.8	4464.1	4729.4	4388.2	4729.4	1379.4
FTSE 250 ex IT	4470.9	4476.2	4478.0	4459.7	4463.2	4773.8	4380.7	4773.8	1378.3
FTSE 350	2328.5	2333.3	2338.2	2325.4	2309.6	2373.7	2017.9	2373.7	664.5
FTSE SmallCap	2185.80	2187.60	2190.58	2188.97	2188.49	2374.28	2178.29	2374.28	1363.79
FTSE SmallCap ex IT	2144.24	2146.85	2146.32	2151.33	2151.33	2382.36	2144.24	2382.36	1363.79
FTSE All-Share	2273.55	2278.04	2282.67	2270.91	2256.49	2316.88	1989.78	2316.03	61.92
FTSE Fledgling	1241.33	1242.79	1244.14	1243.36	1245.25	1348.52	1223.48	1348.52	31.14
FTSE Eurotrack 100	2755.74	2768.34	2774.62	2679.77	2643.10	2774.62	1893.80	2774.62	800.45
FTSE Eurotrack 200	2724.59	2735.88	2747.71	2668.97	2633.26	2747.71	1947.11	2747.71	938.62
FT 30	3068.6	3075.5	3088.0	3072.5	3061.5	3128.1	2762.5	3128.1	49.40
FT Govt Securities	97.72	97.59	97.72	97.20	96.92	97.72	93.31	127.40	49.18
FT Fixed Interest	126.41	126.56	126.36	125.98	125.76	126.66	113.65	133.87	50.53
FTSE Gold Mines	1370.52	1358.28	1368.90	1379.45	1382.57	1997.49	1270.14	2520.73	922.16

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
10	Nil	14/8	1¼pm	1pm	Active Imaging	1pm	
1200	Nil	6/8	117½pm	47½pm	Brit Borneo Synd	58pm	-½
270	Nil	5/8	70pm	45pm	HIT Enter	47½pm	-7½
-	Nil	4/8/	8½pm	¼pm	Jarvis Fd Uts Cv	1¼pm	
-	Nil	11/8	42½pm	37½pm	Lon Brid Sftw Cv	37½pm	
120	Nil	7/8	6½pm	1¼pm	Tea Plantations	5½pm	

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	25.6	122½	109½	Cammell Laird	120½		L3.8	2.1	3.9	11.6
§260	F.P.	15.7	275	265	Delcam	265	-2½	L2.5	4.4	1.2	23.9
	F.P.	-	116	114	EMI B	115		22.75	-	3.1	-
§150	F.P.	238.3	202	182½	Galen Hldgs	196½	+1	L0.9	5.7	0.6	31.7
§	F.P.	26.1	162½	135	Gremlin Group	139½	-7	R3.5	3.2	3.1	10.6
§125	F.P.	6.66	135	110½	†Helicon Publsg	113½		-	-	-	-
§135	F.P.	83.5	149½	142½	Hitachi Cred UK	149½		L4.3	1.4	3.6	24.7
§	F.P.	569.4	396½	386	Ionica	392½		-	-	-	-
§160	F.P.	16.9	174½	172½	†Kingfisher Leis	174½		LW2.0	6.0	1.4	14.6
100	F.P.	32.7	112½	99½	Reabourne Merlin	108½		-	-	-	-
§100	F.P.	7.49	120½	105½	†SBS Group	105½	-3	L2.4	2.0	2.8	16.6
§	F.P.	58.7	140½	136½	Ted Baker	137½	-2	L3.49	0.1	3.2	-
	F.P.	-	22¼	19½	Thorn B	21		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday July 23 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	954,000,712	-324,996,535
Bankers deposits	2,602,486,799	-47,968,802
Reserve and other accounts	3,165,253,100	+142,530,676
	6,736,293,611	-230,434,661
Assets		
Government securities	1,378,171,305	-17,200,000
Advance and other accounts	4,299,083,862	-743,776,315
Premises, equipment and other secs	1,046,497,844	+523,056,077
Notes	12,430,090	+7,503,495
Coin	110,510	-17,918
	6,736,293,611	-230,434,651
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,927,569,910	+142,496,505
Notes in Banking Department	12,430,090	+7,503,495
	21,940,000,000	+150,000,000
Assets		
Other Government securities	16,511,046,229	-1,154,045,760
Other Securities	5,428,953,771	+1,304,045,760
	21,940,000,000	+150,000,000

FTSE GOLD MINES INDEX

	Jul 25	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1370.52	-24.9	36.95	100.00	2.34	-	2074.81	1270.14
■ Regional Indices								
Africa (14)	1414.55	-33.5	8.47	22.93	5.56	22.98	2775.96	1324.06
Australasia (6)	1438.72	-35.1	3.80	10.30	3.86	18.67	2455.10	1336.10
North America (11)	1361.79	-19.3	24.67	66.77	1.03	88.16	1861.48	1244.23

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UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		100	—	1,988	Fe6 Au6	28.1	4491
Treas 8¾pc 1997‡‡		100	—	5,550	Mr1 Se1	20.2	1341
Exch 15pc 1997		101⅞	-1	830	Ap27 Oc27	17.4	1269
Exch 9¾pc 1998		101	—	3,550	Jy19 Ja19	10.7	1273
Treas 7¼pc 1998‡‡		100	—	8,150	Se30 Mr30	19.3	1788
Treas 15½pc '98‡‡		109	—	835	Mr30 Se30	19.3	1308
Exch 12pc 1998		108	—	3,909	My20 Nv20	9.5	1259
Treas 9½pc 1999‡‡		103	0.1	1,900	Jy15 Ja15	4.7	1347
Treas Flg Rate 1999‡‡		100	—	5,700	9MrJeSeDe	2.8	4945
Exch 12¼pc 1999		107	0.1	3,050	Se26 Mr26	17.3	1284
Treas 10½pc 1999		105	0.1	1,252	Nv19 My19	8.5	1298
Treas 6pc 1999 ‡‡		98	0.2	6,950	Fe10 Au10	30.1	3635
Conv 10¼pc 1999		106	0.2	1,798	My22 Nv22	13.5	1242
Treas 8½pc 2000	✣	103xd	0.3	109	Jy28 Ja28	17.7	-
Conv 9pc 2000‡‡		104½	0.3	5,358	Sa3 Mr3	20.2	1244
Treas 13pc 2000		115½	0.2	3,171	Ja14 Jy14	3.7	1299
Treas 14pc 1998-1		105	-1	970	Mr22 My22	13.5	1306
Treas 8pc 2000‡‡		102	0.3	9,800	Je7 De7	28.5	4948
Treas Flg Rate 2001		100	—	3,000	6OcJaApJy	7.7	-
Treas 10pc 2001		109	0.3	4,406	Au26 Fe26	17.2	1290
Conv 9½pc 2001	✣	108	0.3	3	Ja12 Jy12	3.7	-
Conv 9¾pc 2001	✣	109	0.3	35	Fe10 Au10	30.1	-
Treas 7pc 2001 ‡‡		99	0.4	12,750	My6 Nv6	24.4	3031
Exch 12pc 1999-2	✣	106	—	105	Jy22 Ja22	11.7	-
Conv 10pc 2002	✣	111	0.4	21	Oc11 Ap11	2.4	-
Treas 7pc 2002‡‡		99	0.5	7,500	De7 Je7	29.5	-
Five to Fifteen Years							
Conv 9½pc 2002	✣	109	0.4	2	De14 Je14	5.6	-
Treas 9¾pc 2002		111	0.4	6,527	Fe27 Au27	18.2	1349
Exch 9pc 2002	✣	108	0.4	83	My18 Nv18	8.5	-
Conv 9¾pc 2003	✣	112	0.4	11	Nv7 My7	25.4	-
Treas 8pc 2003‡‡		104½	0.5	8,600	Je10 De10	30.5	2010
Treas 13¾pc 2000-3	✣	117xd	0.2	53	Ja25 Jy25	16.7	-
Treas 10pc 2003		114	0.5	2,503	Mr8 Se8	27.2	1281
Treas 11½pc 2001-4		113	0.3	1,620	Se19 Mr19	10.3	1280
Treas 10pc 2004	✣	115	0.5	23	Nv18 My18	8.5	-
Funding 3½pc 1999-4		88	0.6	543	Je14 Jy14	3.7	1274
Conv 9½pc 2004		113¾	0.5	3,412	Ap25 Oc25	16.4	1246
Treas 6¾pc 2004‡‡		98	0.6	6,600	My26 Nv26	15.5	3541
Conv 9½pc 2005		114	0.5	4,842	Oc18 Ap18	8.4	1247
Exch 10½pc 2005	✣	121	0.5	23	Mr20 Se20	11.3	-
Treas 12½pc 2003-5		125	0.4	2,200	My21 Nv21	12.5	1295
Treas 8½pc 2005‡‡		109	0.5	10,373	Je7 De7	29.5	4945
Conv 9¾pc 2006	✣	116	0.6	6	My15 Nv15	6.5	-
Treas 7½pc 2006‡‡		103	0.6	11,700	Je7 De7	29.5	1148
Treas 7¾pc 2006‡‡		104	0.5	4,000	Mr8 Se8	27.2	2300
Treas 8pc 2002-6‡‡		103	0.4	2,050	Ap5 Oc5	25.3	1334
Treas 11¾pc 2003-7		120	—	3,150	Jy22 Ja22	11.7	1293
Treas 8½pc 2007 ‡‡		110	0.8	7,397	Ja16 Jy16	7.7	1336
Treas 7¼pc 2007‡‡		102	0.7	7,000	Je7 De7	29.5	-
Treas 13½pc 2004-8	✣	133	0.3	95	Se26 Mr26	17.3	-
Treas 9pc 2008 ‡‡		115	0.7	5,621	Ap13 Oc13	3.4	1343
Treas 8pc 2009		109	0.8	3,450	Mr25 Se25	14.3	1336
Treas 6¼pc 2010‡‡		93	0.8	4,750	Mr25 Nv25	15.5	4632
Conv 9pc Ln 2011 ‡‡		118	0.8	5,273	Jy12 Ja12	3.7	1345
Over Fifteen Years							
Treas 9pc 2012‡‡		118	0.8	5,360	Fe6 Au6	28.1	1701
Treas 5½pc 2008-12‡‡		86	1.0	1,000	Mr10 Se10	27.2	1330
Treas 8pc 2013‡‡		110	1.0	6,100	Mr27 Se27	18.3	2229
Treas 7¾pc 2012-15‡‡		107xd	0.8	800	Jy26 Ja26	17.7	1332
Treas 8pc 2015‡‡		111	1.1	13,787	Je7 De7	29.5	4092
Treas 8¾pc 2017‡‡		119	1.1	7,550	Fe25 Au25	14.2	1982
Exch 12pc 2013-17	✣	148	0.6	57	Je12 De12	3.6	-
Treas 8pc 2021‡‡		113	1.2	13,080	Je7 De7	29.5	-
Undated							
Consols 4pc		55xd	1.3	358	Ap1 Fe1	23.7	1239
War Loan 3½pc‡‡		50	1.6	1,909	Je1 De1	16.5	1352
Conv 3½pc '61 Aft.		67	1.1	115	Ap1 Oc1	19.3	1243
Treas 3pc '66 Aft.		41	1.3	56	Ap5 Oc5	25.3	1324
Consols 2½pc		36	1.5	275	5JaApJyOc	26.6	1298
Treas. 2½pc		35	1.5	475	Ap1 Oc1	19.3	1315
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	114	0.3	800	Ap27 Oc27	17.4	1753
2½pc '99	(...)	182	—	2	My22 Nv22	13.5	-
2½pc '01	(78.3)	187	—	2,150	Mr24 Se24	13.3	1316
2½pc '03	(78.8)	189	0.1	2,300	My20 Nv20	8.5	1317
4⅜pc '04‡‡	(135.6)	116	0.1	1,150	Ap21 Oc21	10.4	1255
2pc '06	(69.5)	194	0.1	2,350	Ja19 Jy19	10.7	1314
2½pc '09	(78.8)	175	—	2,525	My20 Nv20	9.5	1318
2½pc '11	(74.6)	182	—	3,100	Fe23 Au23	13.2	1319
2½pc '13	(89.2)	150	—	3,750	Fe16 Au16	8.2	1320
2½pc '16	(81.6)	161xd	—	3,725	Ja26 Jy26	17.7	1321
2½pc '20	(83.0)	156	—	3,500	Ap16 Oc16	7.4	1322
2½pc '24‡‡	(97.7)	128	—	3,550	Ja17 Jy17	8.7	1323
4⅛pc '30‡‡	(135.1)	126	—	1,300	Ja16 Jy22	11.7	1134

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1996: 153.9 and for June 1997: 157.5.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009		129	0.8	100	Mr24 Se24	24.3	-
B'ham 11½pc 2012		132½	-1.5	45	My15 Nv15	15.4	1837
Leeds 13½pc 2006		136½	-2.1	40	Ap1 Oc1	10.3	3146
Liverpool 3½pc Irred		46	2.9	5	1ApJyOcJa	2.6	-
LCC 3pc '20 Aft.		39	2.6	26	1MrJeSeDe	1.5	-
Manchester 11½pc 2007		127½	—	6	Ap25 Oc25	27.3	3275
Met. Wtr 3pc 'B'		93	—	25	Mr1 Se1	3.2	3361
N'wide Anglia 3⅞pc 2021		150xd	2.2	60	Ja30 Jy30	18.6	3465
4⅛pc IL 2024		145xd	2.3	60	Ap23 Fe23	14.7	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ✣ Indicative price.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

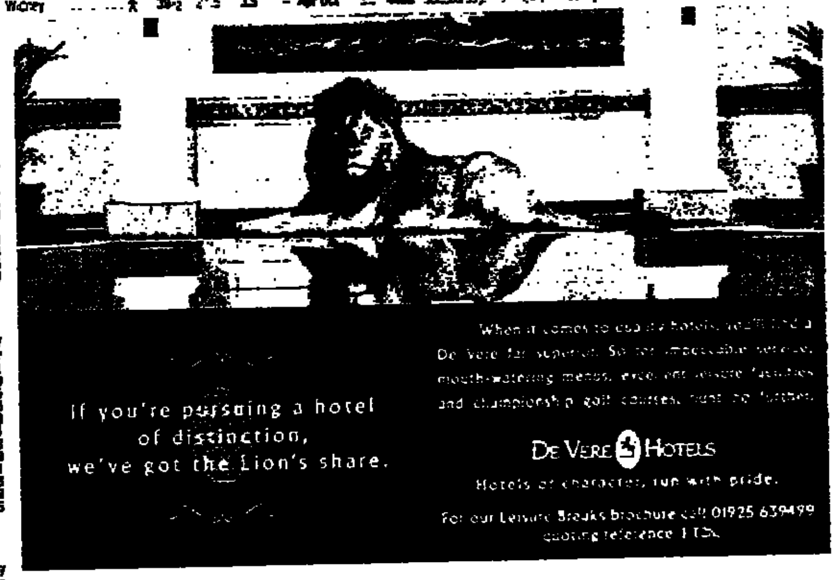
DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.



ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

صكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% chnge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind R		£28¼	-	0545c	♦	May Oct	29	-
Barlow	♠†	£7	0.6	0108c	3.3	Jan Jul	9.12	-
Gold Flds Prop R	†	171	0.5	065c	1.5	Feb Sep	29.6	-
SA Brews		£18½	1.4	0287c	♦	Jul Feb	26	4113
Standard Bank		£29	1.3	0407c	♦	Sep Mar	3.3	-
Tiger Oats	†	1058	2.5	[illegible]	2.3	Jan Jul	9.6	-
Tongaat-Hulett		739½	0.6	0142c	♦	Jan Jul	17.6	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(i) Overseas incorporated companies, listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) Irish incorporated non-listed companies
- ≠ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement
- ▲ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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FT Share Service

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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صكنا من الاجل

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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BAII Asset Management Ltd

Bank Von Ernst & Cie AG

GT Global

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

Templeton Russian & East European Debt Fd

Tower Fund

Finexco International Ltd

OFFSHORE INSURANCES

Aberdeen International Ltd

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

صفحات من الأجل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 25 / Sch)

BELGIUM/LUXEMBOURG (Jul 25 / Frs.)

CZECH REP (Jul 25 / Korona)

DENMARK (Jul 25 / Kr)

FINLAND (Jul 25 / Mkka)

FRANCE (Jul 25 / Frs.)

GREECE (Jul 25 / Drachma)

ITALY (Jul 25 / Lira)

GERMANY (Jul 25 / Dm.)

NORWAY (Jul 25 / Kroner)

POLAND (Jul 25 / Zloty)

PORTUGAL (Jul 25 / Escudo)

SPAIN (Jul 25 / Pts.)

NETHERLANDS (Jul 25 / Fls.)

SWEDEN (Jul 25 / Kronor)

SWITZERLAND (Jul 25 / Frs.)

TURKEY (Jul 25 / Tk Lira)

PACIFIC

JAPAN (Jul 25 / Yen)

AUSTRALIA (Jul 25 / AustS)

HONG KONG (Jul 25 / H.K.$)

INDONESIA (Jul 25 / Rupiah)

MALAYSIA (Jul 25 / MYR)

NEW ZEALAND (Jul 25 / NZ $)

SINGAPORE (Jul 25 / S$)

SOUTH KOREA (Jul 25 / Won)

TAIWAN (Jul 25 / TW $)

THAILAND (Jul 25 / Baht)

NORTH AMERICA

CANADA

MONTREAL (Jul 25 / Can $) 4 pm close

TORONTO (Jul 25 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jul 25 / Rand)

INDICES

	Jul 25	Jul 24	Jul 23	1997 High		Low	
Argentina							
General(29/12/77)	24260.86	23932.85	23347.58	24260.86	25/7	0.00	9/7
Australia							
All Ordinaries(1/1/80)	2691.4	2676.4	2683.4	2745.90	2/7	2352.20	1/4
All Mining(1/1/80)	843.7	834.5	843.5	987.18	24/2	831.10	9/7
Austria							
Credit Aktien(30/12/84)	449.86	450.02	453.19	453.19	23/7	374.40	9/1
Traded Index(2/1/91)	1436.30	1439.65	1452.78	1452.78	23/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2592.84	2581.58	2601.58	2601.58	23/7	1871.85	2/1
Brazil							
Bovespa(29/12/83)	12523.0	12544.0	12427.0	13617.00	9/7	6965.50	2/1
Canada							
Metals Mins(1975)	5271.89	5279.81	5252.73	5881.78	10/3	4946.98	11/4
Composite(1975)	6780.30	6786.20	6765.20	6786.20	24/7	5678.30	14/4
Portfolio(4/1/83)	3415.94	3429.36	3424.90	3432.27	15/7	2848.02	11/4
Chile							
IGPA Gen(31/12/80)	5732.14	5706.09	5670.89	6686.71	4/7	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	644.23	647.58	652.29	656.29	17/7	470.14	2/1
Finland							
HEX General(28/12/90)	3543.49	3508.84	3489.10	3543.49	25/7	2483.28	2/1
France							
SBF 250(31/12/90)	1987.74	1940.90	1953.40	1987.74	25/7	1533.19	2/1
CAC 40(31/12/87)	3025.94	2973.53	3003.53	3025.94	25/7	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1446.66	1449.65	1467.25	1467.25	23/7	986.21	2/1
Commerzbank(1/12/53)	4236.80	4253.50	4294.90	4294.90	23/7	2875.80	2/1
DAX(30/12/87)	4317.84	4335.74	4406.09	4406.09	23/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1601.39	1569.15	1543.23	1727.70	23/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	15858.12	15709.23	15738.81	15738.81	23/7	12055.17	3/4
India							
BSE Sens.(1979)	4187.74	4225.97	4251.13	4404.89	9/7	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	710.06	712.04	718.19	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3641.27	3631.70†	3629.05	3641.27	25/7	2736.07	2/1
Italy							
Banca Comm Ital(1972)	945.29	951.05	959.18	959.18	23/7	642.55	2/1
MIB General(3/1/97)	1421.0	1429.0	1442.0	1442.00	23/7	981.88	2/1
Japan							
Nikkei 225(16/5/49)	20389.54	20296.23	20130.51	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	301.48	300.36	297.96	302.73	17/7	251.84	27/1
Topix(4/1/68)	1544.29	1538.76	1529.63	1560.28	26/6	1320.82	10/4
2nd Section(4/1/68)	1788.52	1785.27	1791.08	1849.25	30/6	1516.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1041.26	1045.89	1094.07	1271.57	25/2	1001.55	18/7
Mexico							
IPC(Nov 1978)	(u)	4762.65	4742.12	4882.39	10/7	3369.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	1150.5	1146.2	1152.7	1152.70	23/7	730.80	2/1
CBS All Shr(End 83)	684.8	682.3	686.0	686.00	23/7	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2510.81	2492.30	2494.97	2528.65	4/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2104.57	2110.41	2118.74	2121.64	18/7	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2572.69	2572.80	2636.37	3442.88	3/2	2489.38	20/5
Portugal							
BVL 30(4/1/93)	3425.58	3399.50	3398.58	3481.10	9/7	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	505.18	508.34	500.82	573.03	17/2	479.84	28/4
South Africa							
JSE Gold(28/9/78)	969.8♥	952.6	982.4	1598.10	27/2	909.90	7/7
JSE Ind.(28/9/78)	9054.4♥	9026.3	9032.3	9054.40	25/7	7859.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	733.64	739.04	730.58	792.29	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	(c)	586.26	612.76	628.15	7/7	434.54	2/1
Sweden							
AffarsvardenGen(1/2/37)	3218.8	3208.8	3212.0	3232.20	18/7	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5947.0	5849.2	5889.9	6012.80	8/7	3922.90	7/1
SPI General(1/6/87)	3712.51	3706.81	3708.58	3768.79	8/7	2608.22	6/1
Taiwan							
WeightedPr.**(30/6/66)	9808.91	9632.42	9361.06	9833.77	21/7	6844.76	6/1
Thailand							
Bangkok SET(30/4/75)	646.58	634.00	631.28	858.97	22/1	494.77	19/6
Turkey							
IMKB Nat 100(1986)	1899.00	1925.00	1919.00	2043.08	14/7	595.00	2/1
WORLD							
MS Capital Intl(1/1/70)	973.2*	975.7	976.0	978.80	16/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2755.74	2768.34	2774.62	2774.62	23/7	1893.80	2/1
FTSE E 100(26/6/90)	2303.42	2295.57	2315.04	2315.04	23/7	1582.99	2/1
HSBC JC Drgn(31/12/88)	(u)	425.98	425.11	489.46	20/1	381.63	29/4
MS Emrg Europ(7/1/92)	191.50	189.90	188.18	196.61	8/7	158.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (MATIF/MONEP) (200 x Index)							
Jul	3005.0	3028.0	+49.0	3031.0	2987.0	17,837	26,101
Aug	3012.0	3036.5	+49.5	3037.0	2996.5	4,601	7,430
DAX							
Sep	4390.0	4398.0	+65.0	4409.0	4335.0	19,330	95,030
Dec	4430.0	4431.0	+52.0	4430.0	4378.5	84	2,730
OMX							
Jul	2640.00	2614.00	+24.00	2640.00	2602.00	1,833	7,732
Aug	2639.75	2615.00	+16.50	2639.75	2606.00	2,986	21,600
SOFFEX							
Aug	5917.0	5844.0	-11.0	5925.0	5821.8	3,755	22,513

** Sat July 19: Taiwan Weighted Price 9749.30; Korea Comp Ex 742.15. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 28 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 25 - 4368.54 -49.02

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jul 25	Jul 24	Jul 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8113.44	8116.93	8088.36	8116.93 (24/7)	6391.69 (11/4)	8116.93 (24/7/97)	41.22 (8/7/32)
Home Bonds	104.40	104.25	104.37	104.40 (25/7)	101.09 (14/4)	104.40 (25/7/97)	54.99 (1/10/81)
Transport	2906.11	2898.89	2907.79	2907.79 (23/7)	2222.07 (2/1)	2907.79 (23/7/97)	13.23 (8/7/32)
Utilities	231.88	231.63	230.87	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8200.31 (8174.53) Low 8037.85 (7988.50) (Theoretical♦)
Day's high 8157.11 (8132.95) Low 8080.46 (7983.82) (Actual♦)

Standard and Poors	Jul 25	Jul 24	Jul 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	938.79	940.28	936.56	940.28 (24/7)	737.01 (2/1)	940.28 (24/7/97)	4.40 (1/6/32)
Industrials♥	1107.16	1108.85	1105.16	1108.85 (24/7)	865.42 (11/4)	1108.85 (24/7/97)	3.52 (30/6/32)
Financial	106.97	107.37	105.88	107.37 (24/7)	80.75 (2/1)	107.37 (24/7/97)	7.13 (4/9/74)
NYSE Comp.	486.80	487.31	485.51	487.31 (24/7)	388.47 (11/4)	487.31 (24/7/97)	4.64 (25/4/42)
Amex Comp.	637.80	637.05	634.65	638.03 (18/7)	541.20 (28/4)	638.03 (16/7/97)	524.20 (18/7/95)
NASDAQ Comp	1569.58	1569.13	1567.65	1580.83 (18/7)	1201.00 (2/4)	1580.83 (18/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 18	Jul 11	Jul 3	Year ago
Dow Jones Ind. Div. Yield	1.64	1.63	1.63	2.30
	Jul 23	Jul 16	Jul 9	Year ago
S & P Ind. Div. yield	1.50	1.50	1.55	2.32
S & P Ind. P/E ratio	25.77	25.78	24.91	18.63

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Galileo	15,932,200	26⅛	+1⅝
Silicon Gr	15,873,700	25¾	+5⅜
Pfizer Inc	12,098,300	59⅝	-2⅞
ColumbiaH	10,710,100	35⅞	-¼
Compaq Cm	6,784,600	135⅞	-5⅛
Ph Morris	6,564,800	44⅞	+1
AT & T	5,276,200	35⅝	+¼
Baker H	4,819,300	40⅞	-⅛
Boeing	4,852,300	58⅝	-⅞
Pepsico	4,376,900	38⅛	+⅞

■ TRADING ACTIVITY

● Volume (million)	Jul 25	Jul 24	Jul 23
New York SE	519.608	571.021	616.834
Amex	26.005	25.426	25.642
NASDAQ	(u)	751.187	704.725
NYSE			
Issues Traded	3,387	3,404	3,417
Rises	1,399	1,374	1,721
Falls	1,379	1,449	1,153
Unchanged	609	581	543
New Highs	296	303	398
New Lows	21	20	18

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	948.00	944.90	-0.95	951.75	940.80	61,449	178,236
Dec	958.25	954.90	-1.05	960.00	952.00	210	5,563
■ Nikkei 225							
Sep	20360.0	20420.0	+80.0	20440.0	20290.0	11,733	170,585
Dec	20340.0	20350.0	-	20360.0	20340.0	4	3,676

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Friday, July 25, 1997

	Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sml	8.8m	548	+14
Sakura Bank	7.5m	775	-38
Fujitsu	5.8m	1680	-20
Mitsubishi Motor	5.4m	739	-31
Nippon Steel Cp	4.9m	334	
Toko	4.1m	900	+6
Kawasaki Steel	4.0m	346	+3
Kao Corp	3.9m	1730	+50
LTCB	3.6m	510	+4
NKK Corp	3.4m	223	+2

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close July 25

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE PRICES

4 pm close July 25

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close July 25

NASDAQ NATIONAL MARKET

4 pm close July 25

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		4000	8.25	3	Lernout & Hauspie	US$29.25	+0.125	6780	30.125	25
Artwork Systems	US$9.5		9400	11.125	9.375	Mercer Int'l	US$9.5		0	11.75	8.125
Chemunex	FFr13		190000	18	12.5	NTL	US$22.375	+0.125	0	25.125	22
Deborair Holdings	GBP4.5		1273295	4.5	4.5	PiaTech	US$3.875		0	6.125	3.75
Dr Solomon's ADS	US$25.375	-1.5	7000	28.375	16.875	Schoeller-Bleckmann	Sch1165	+7	3790	1165	900
Esprit Telecom ADS	US$7.375	+0.125	8000	12.25	5.375	Topcall Int'l	Sch3303	+3	260	3318	3065
Innogenetics	US$10.25	+0.125	23672	12.75	10.125						

Prices for 25/7/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9890).

FT GUIDE TO THE WEEK

MONDAY 28

Political landmine

The UN conference on disarmament resumes in Geneva for its third session of the year (to September 10). The 61 members, which include the five declared nuclear powers, are still struggling to agree what they *should be talking about.* Western countries want the conference to negotiate a worldwide ban on anti-personnel landmines but they have been blocked by non-aligned nations which are insisting on parallel discussions on nuclear disarmament. This in turn is unacceptable to the nuclear powers. In June the conference appointed *a co-ordinator on landmines* who will try to settle the impasse. The US, Russia and China have refused to endorse a separate treaty outlawing landmines due to be signed by more than 100 countries in Ottawa in December.

Cyprus meeting

Glafcos Clerides and Rauf Denktash, leaders of the Greek and Turkish communities in Cyprus, meet again two weeks after a positive encounter in the US. *The two men, under pressure* from the US and the European Union to find a solution to the 23-year division of the island, are to meet at the residence of the UN's representative on the island ostensibly to discuss humanitarian issues. The atmosphere on Cyprus has recently become more tense. This follows remarks by Turkish leaders opposing the Greek Cypriot government's EU accession talks and warnings from Athens that it could veto the EU's eastward expansion if Cyprus membership talks do not succeed.

Asean dialogue

The nine members of the Association of South-East Asian Nations (Asean) hold their post-ministerial conference in Kuala Lumpur. Members put pageantry aside and sit down with "dialogue partners" – *including the US* and EU – to discuss regional security issues behind closed doors. As a result it is seen as one of the most meaningful contacts between south-east Asian powers and the rest of the world in the diplomatic calendar. The other dialogue partners are Canada, Japan, China, South Korea, Australia, New Zealand, India and Pakistan. Issues are likely to include the admission last week of Burma and Laos into the Asean grouping, as well as Asean's hope to turn south-east Asia into a nuclear weapons-free zone. Madeleine Albright, the US secretary of state, is representing the US.

Underworld lectures

Executives from Japan's top companies will be lectured on how to deal with *sokaiya, yakuza* and other denizens of Japan's underworld, at a seminar organised by the Keidanren or *Federation of Economic Organisations.* A senior police official and a lawyer will discuss the recent scandals over payments to corporate racketeers by some large and well-known companies and give advice on how to avoid such difficulties. As an illustration of the dangers, the Tokyo district court rules today on the case of a racketeer accused of receiving pay-offs from Ajinomoto, a leading Japanese food company.

Japanese foreign minister Yukihiko Ikeda (centre) with his beleaguered Cambodian counterpart Ung Huot (right) at the Asean regional forum

Taiwan trade bid

Wang Chih-kang, Taiwan's economics minister, is visiting central America this week to hold talks with the trade ministers of five countries – Nicaragua, Costa Rica, Honduras, El Salvador and Guatemala. The trip is part of an effort to bolster Taiwan's diplomatic ties with the seven *countries in the region with which it* maintains official diplomatic relations. These include Panama and Belize as well as the five countries already mentioned. The visit paves the way for a trip to the region by President Lee Teng-hui, who will attend a September 7 conference on the Panama Canal. Mr Lee is also expected to sign a *low-interest loan pact totalling* $70m – $10m for each country.

Funding challenge

Hearings resume in Zimbabwe this week in the case brought by former premier Bishop Abel Muzorewa's United party against President Robert *Mugabe's government over the direct* funding of political parties by taxpayers. Under existing legislation, parties are entitled to a political grant depending on their relative representation in parliament. In last week's budget, Mr Mugabe's ruling *Zanu-PF party, which holds* 147 of the 150 seats, was given a grant of Z$65m (US$5.7m) for the 18 months to the end of 1998. No other political party qualifies. The largely symbolic United party – it has no seats in parliament – is thought unlikely to make much headway in its challenge.

TUESDAY 29

Defence triangle

Polish, Danish and German defence ministers are in Warsaw for the annual meeting of a triangle designed to underscore Nato's Baltic dimension. This dimension is destined to grow once Poland becomes a member of the alliance in 1999. Ironically, it was Denmark which Poland was slated to invade and occupy under the war plans *of the now defunct Warsaw pact.*

Soccer

Uefa cup first qualifying round, second leg.

Racing

Racing starts at Glorious Goodwood in the UK (to August 2).

WEDNESDAY 30

Bonn tax talks

Long-running attempts by the Bonn *government to reform Germany's* complex tax system reach another stage. The parliamentary conciliation committee meets in the latest attempt to thrash out a deal between the Bundestag, the lower house of parliament, and the Bundesrat, the *second chamber in which the* opposition Social Democratic party has a majority. The tax-reform package is seen as a crucial part of Germany's structural reform programme and the Bonn government wants to give the economy a substantial boost through significant tax cuts. Although the SPD wants to cut non-wage labour costs, it has opposed much of the package.

Call for dispute panels

The dispute settlement body of the World Trade Organisation, which meets in Geneva, is expected to set up two dispute panels. One panel request, from the US, concerns Indonesia's national car programme. This is already the subject of a panel inquiry following complaints from the European Union and Japan that the favourable tax and tariff treatment *Indonesia gives the locally produced* Timor breaches WTO rules. Brazil is seeking the formation of a panel in its dispute with the EU over import quotas on poultry meat.

FT Survey

Ireland

THURSDAY 31

Tokyo talks on climate

Japan and Australia start a two-day ministerial meeting in Tokyo. A total of 14 ministers from the two countries *will attend the meeting at which global* warming will be one of the issues discussed. Australia and Japan both oppose EU proposals for much tighter rules on greenhouse emissions. So far, however, their positions on acceptable limits differ: Australia wants targets to be based on individual countries' circumstances, while Japan appears to favour a uniform but less stringent target. *Environment ministers from the* two countries may seek to move closer to a common stance before the international conference on climate change in Kyoto in December.

Poll test for Tories

Voters in Uxbridge, west London, will be going to the polls in a by-election which follows the death of Sir Michael Shersby, a Tory MP who retained the seat for his party with a majority of just 724 in the UK's May general election. Labour is playing down its chances of taking the seat from the Conservatives, saying the turn-out will be very low so soon after the general election. The seat, however, is an important first test for the Tories after the election of William Hague as party leader.

FRIDAY 1

Museum's US wing

The American Air Museum in Britain opens at the Imperial War Museum, Duxford, Cambridge. The £11m ($18m) museum, covering 70,000 sq ft, was designed by Sir Norman Foster and will house 21 aircraft, ranging from a first world war biplane to a giant B-52 jet bomber. Some of the money for the project was raised in the US. Founding members of the museum from the US who flew from British bases during the second world war are expected to attend the opening ceremony.

Azerbaijan talks

President Heydar Aliyev of Azerbaijan, a former member of the Soviet Politburo, who is at the centre of an international contest for control of the Caspian Sea's vast energy reserves, arrives in the US for meetings with political and corporate leaders. US *president Bill Clinton is expected to* indicate his support for the construction of pipelines linking Azerbaijan with Georgia and Turkey, and his keenness to minimise Iranian influence in the region. The US administration will try to persuade Congress to remove restrictions on aid to Azerbaijan which were imposed under pressure from ethnic Armenians.

China's army celebrates

China celebrates the 70th anniversary of the founding of the People's Liberation Army with a military review at the army's birthplace. Chinese president Jiang Zemin, who is *also the head of the army, and other* senior party leaders are expected to attend. The review is to be held in Nanchang city in China's south-eastern Jiangxi Province where the first shot was fired by the Chinese Communist party *against* the Nationalist Kuomintang on August 1 1927. It is intended to display China's military force for the first time after the Hong Kong handover on July 1.

China membership

Two weeks of bilateral negotiations in Geneva end with *a formal meeting* of the WTO's working party on China's membership to discuss progress in the talks. China, which is aiming for WTO *entry next year,* has been holding intensive discussions with trading partners on lowering tariff and non-tariff barriers to trade in goods. These are expected to result in a new market-access offer in the autumn, ahead of the planned summit between US president Bill Clinton and Chinese president Jiang Zemin. Other areas likely to be *discussed in*clude trade in farm goods and improved access for foreign suppliers of services such as banking.

Championship start

World Track and Field Championships get under way in Athens (to Aug 10) with an *extravagant opening* ceremony at the marble stadium where the first modern Olympics were staged in 1896. Vangelis, the Greek composer who won an Oscar for his score for the film *Chariots of Fire*, will mastermind the show. The film celebrated runners at the 1924 Olympics. Construction of an elaborate backdrop for the television cameras, including fake friezes and statuary, has outraged many Athenians. But the championship organisers say a spectacular launch is important to boost Greece's chances of hosting the 2004 Olympic Games.

Horse trials

British Open Horse Trials at Gatcombe Park, England (to August 14).

WEEKEND 2-3

Cowes sets sail

Cowes Week begins on Saturday and promises to be one of the best *regattas for* years. The biannual Admiral's Cup is running simultaneously with the domestic racing, bringing the world's top skippers and crews to the Solent. Yachting always flourishes when the *economy is strong. All the signs* indicate there could be a record number of boats competing. Corporate sailing has become huge business, with every available charter yacht booked months ago. Yet the biggest single fleet will be, as always, the X-class designed in 1911, with nearly 90 boats racing. Skandia Life is sponsoring Cowes Week *for the third year running.*

Compiled by Bob Vincent.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Germany's trade surplus in May, to be released at some point this week, is widely expected to have remained above DM10bn, as foreign demand held up well.

Tuesday: UK consumer credit is likely to have remained high during June, increasing pressure for higher interest rates. The markets are looking for *£900m after £1.1bn in May.*

Wednesday: Japan's industrial production is expected to have declined by a monthly 1.2 per cent in June, but this would still be 10.1 per cent higher than in June last year.

Thursday: US second quarter GDP will give an indication of the extent of possible overheating in the US economy. The markets are looking for modest growth of *2 per cent after 5.9* per cent in the first quarter.

Friday: The US unemployment report for July is expected to show continued employment growth within the trend and some pressure on average earnings. The US unemployment rate is expected to remain at or close to the 5 per cent recorded in June.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Insee industrial survey	10	-11		US	M1 - week ended Jul 21	$500m	-$9bn
Jul 28	Canada	Jun department store sales**	9.9%	10.3%		US	M2 - week ended Jul 21	$3bn	-$10.7bn
	Japan	Jul whlesale prce indx (2nd 10 days)		-0.1%		US	M3 - week ended Jul 21	$4.5bn	-$3bn
Tue	Germany	May trade balance	DM10.5bn	DM10.4bn	Fri	Japan	Jun unemployment rate	3.5%	3.5%
Jul 29	Germany	May current account	-DM1bn	DM2.8bn	Aug 1	Japan	Jun job offers/seekers ratio	0.73	0.73
	France	Jun household consumption†	-0.2%	-1.1%		Japan	Jul auto sales**		-6%
	UK	Jun consumer credit	HK$0.9bn	HK$1.1bn		Germany	Jul purchasing managers index†		56.83
	US	BOT-Mitsubishi Jul 26		-0.8%		Japan	Jul forex reserves*		0.2%
	US	Jul consumer confidence	130	129.6		UK	Jul Chrtrd Instite of Prchsng Mngrs		53.4%
	US	Redbook Jul 26		unchanged		US	Jul nonfarm payrolls	198,000	217,000
Wed	Japan	Jun industrial production†	-2.6%	4.5%		US	Jul manufacturing payrolls	8,000	14,000
Jul 30	Japan	Jun shipments†		4%		US	Jul hourly earnings	0.3%	0.3%
	Japan	Jun retail sales**	-3.7%	-3.3%		US	Jul average workweek		34.7
	US	Jun new home sales	810,000	825,000		US	Jul unemployment rate	5%	5%
Thur	Japan	Jun construction orders**		6.2%		US	Jun personal income	0.5%	0.3%
Jul 31	Japan	Jun housing starts**	-4%	-9.6%		US	Jun personal consumer expenditure	0.4%	0.3%
	Japan	Jun construction starts**		-10.3%		US	Jul Nat Assoc of Purchasing Managers	56%	55.7%
	France	Jun unemployment rate		12.5%	During the week...				
	France	Jun jobseekers ILO*		0.5%		US	Jul Michigan Sentiment Final**	106.1	106.4
	US	Qtr 2 gross domestic product advance	2%	5.9%		US	Jun factory orders	1.4%	-0.7%
	US	Qtr 2 grss dmestic prduct price index	2%	2.7%		US	Jun factory inventories		0.4%
	US	Initial claims Jul 26	320,000	299,000		US	Jul domestic auto sales	6.7m	6.6m
	US	State benefits Jul 19		2.3m		US	Jul domestic light truck sales	5.9m	5.7m
	US	Jul Chicago PMI†	60%	61.5%		Italy	Jun total bank lending		2.4%
	US	Jul agriculture prices		-0.9%					

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

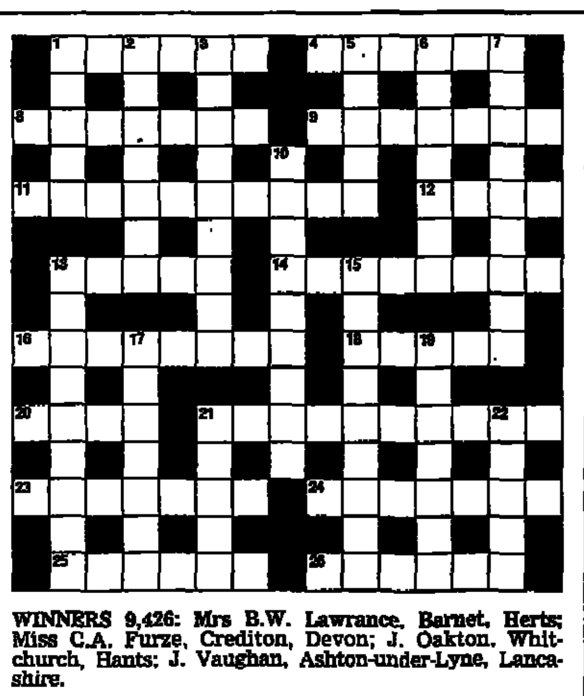
MONDAY PRIZE CROSSWORD
No.9,438 Set by DINMUTZ

ACROSS

1 Subjects run away from very hot areas (6)
4 Antacid? (6)
8 Alarming sea mew, perhaps, fitting ring (7)
9 Loudspeaker some listen to regularly (7)
11 Wantonly start a riot in restaurants abroad (10)
12 River trial (4)
13 *Entertainment a revelation,* very neglected? (5)
14 Backs runners which are last 'ome? (8)
16 Injury sustained in car Keith crashed (5,3)
18 Tennyson's black bat – revolting thing! (5)
20 No score with racket? God? (4)
21 Myrtle to marry, using this knot (5,5)
23 Mother caber-tossing? How weird! (7)
24 Big Apple celebrity taken in by hoax (7)
25 Overjoyed to be linked, having run off (6)
26 Following centre-court, more certain he will take all the interest (6)

DOWN

1 Keep one pulling (5)
2 Placed into pulses, they are tender in Spain (7)
3 Bedside convenience gold-lined for a naval officer (9)
5 *Round hats restyled? We* swear by them! (5)
6 Cathedral in terms of reconstruction (7)
7 The high tars in it may sig*nal danger* (5-4)
10 Asbestos-like if pulling up carpeting (9)
13 Lose water by dry heat, perhaps, after half-tide (9)
15 Carrying some risk like a corner in play (9)
17 Part of Christmas Oratorio for tin soldiers at the double (7)
19 Allure of grandchildren? (7)
21 Enchantress left out of coterie (5)
22 Parish priest right as healer? (5)

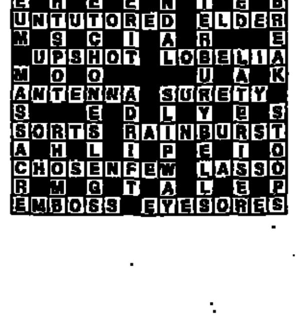


Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday August 7, marked Monday Crossword 9,438 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 11. Please allow 28 days *for delivery of prizes.*

Name..............................

Address..............................

Solution 9,426



WINNERS 9,426: Mrs B.W. Lawrance, Barnet, Herts; Miss C.A. Furze, Crediton, Devon; J. Oakton, Whitchurch, Hants; J. Vaughan, Ashton-under-Lyne, Lancashire.

JOTTER PAD